ELIMINATING UNMATCHED DISBURSEMENTS

# A COMBINED APPROACH

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JUL 1 7 1995
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REPORT TO

THE ACQUISITION AND FINANCIAL MANAGEMENT PANEL

PREPARED BY

THE ACQUISITION AND FINANCIAL MANAGEMENT

WORKING GROUP

JUNE 1995
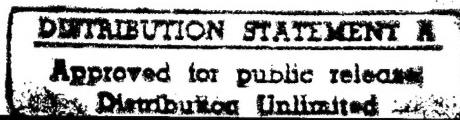
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ELIMINATING UNMATCHED DISBURSEMENTS
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EXECUTIVE SUMMARY

The Deputy Secretary of Defense directed the establishment of a working group to develop a course of action to alleviate the systemic problem of unmatched disbursements (UMDs). Under the guidance of the Acquisition and Financial Management Panel, co-chaired by the Under Secretary of Defense (Comptroller) and the Principal Deputy Under Secretary of Defense (Acquisition and Technology), the Acquisition and Financial Management Working Group was chartered for that purpose. An unmatched disbursement is any disbursement received by an accounting office that cannot be accurately matched to the correct obligation record. As of June 30, 1993, the Defense Finance and Accounting Service (DFAS) reported $19 billion in unmatched disbursements. Contract payments made up the majority of the dollar value of unmatched disbursements.

Today's acquisition process is dependent on hard copy documents that are distributed and repetitively entered into multiple systems. Observation and experience indicate that a significant number of unmatched disbursements are caused by inaccurate or incomplete data within the different systems, resulting in payments charged to the wrong lines of accounting. Data entry errors and the lack of timely distribution of contract documents among program managers, contracting offices, contract administration offices, payment offices, and accounting offices are the major contributors to unmatched disbursements. Other contributing factors are a high percentage of payments which must be manually processed, non-uniform contract structure and format, use of multiple funding sources for a single contract line item, complex progress payment procedures, and the lack of standard automated systems.

The report presents 48 recommendations, focusing primarily on short and mid-term improvements. The main focus is on systemic changes to prevent the occurrence of conditions that result in UMDs. The recommendations include such things as: equipping selected current (legacy) contract writing systems, the contract administration system, and selected accounting systems with Electronic Data Interchange (EDI) capabilities; providing the Navy systems commands with automated contract writing and EDI capabilities; assigning data entry responsibility to contracting officers and administrators; simplifying contract structure; and revising contract payment logic for progress payments and cost type vouchers. A central theme of the recommendations is to make extensive use of EDI and expanded transaction sets to eliminate duplicate data entry and make timely distribution of contractual and financial data. This approach is consistent with the Vice President's National Performance Review which advocates increasing the use of technology to streamline government operations and expanding electronic commerce for federal acquisitions.

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The long term solution for eliminating unmatched disbursements is best described as an integrated system at the data base level serving both the acquisition and financial management communities.

- The data base would be built on common or standard data elements using agreed upon naming conventions and definitions. Because the data are contained in only one location, the data need only be entered once. Additionally, when data changes occur, adjustments are made in only one place. Furthermore, it is envisioned that data entry would be performed by those with whom the data originates. Unlike the current process, contract data entry would be the responsibility of those most knowledgeable about the contracts, those organizations preparing the contracts rather than financial management personnel. Data integrity, quality, consistency, and timeliness, will be greatly enhanced once data elements are standardized and entered at source, only once, in a timely fashion.

- The acquisition and financial management communities would each have their own suite of software modules to perform the tasks of their respective communities. It is envisioned that software modules will be based upon standard business practices within each of the communities. For example, the acquisition community will adopt a uniform contract structure and format and will use a standard pre-award and post-award procurement system. Such a structure will simplify contract processing, eliminate Service-unique conventions, enhance automation efforts, reduce maintenance costs, and reduce training costs. The financial community, on the other hand, has as two of its goals increased standardization and fewer accounting systems. Contract payments will be tracked using a single set of parameters. Each community will access the integrated data base to obtain the data required to run their individual modules. It is envisioned that the integrated data base will be updated in real time.

The Working Group developed an interim strategy, identifying short and mid-term improvements to reduce UMDs. The interim strategy focuses on high dollar value contracts, because these contracts are associated with the major dollar value of UMDs. The American National Standards Institute (ANSI) maintains and publishes the standards for EDI and designates them as X12 standards. Various transaction sets have been established, based on these standards, to provide information covering a wide variety of processes and functions, such as transportation data, purchase order data, inventory inquiries, warehousing data and invoice data. Many of these standards are widely used by the private sector. The Department has undertaken a major effort to increase the use of EDI particularly with respect to purchasing and contracting.

The cornerstone of the interim strategy is to use version 3050 of the ANSI X12.850/860 transaction sets as the means of providing automated contractual information to the contract

administration system, contract payment systems, and the accounting systems. The following diagram depicts the interim strategy with the dashed lines representing the ANSI X12 transaction sets.

- The ANSI X12.850/860 transaction sets can be used to establish the contracts and modifications in the standard contract administration system. This system supports the contract management functions and also the contract payment functions.
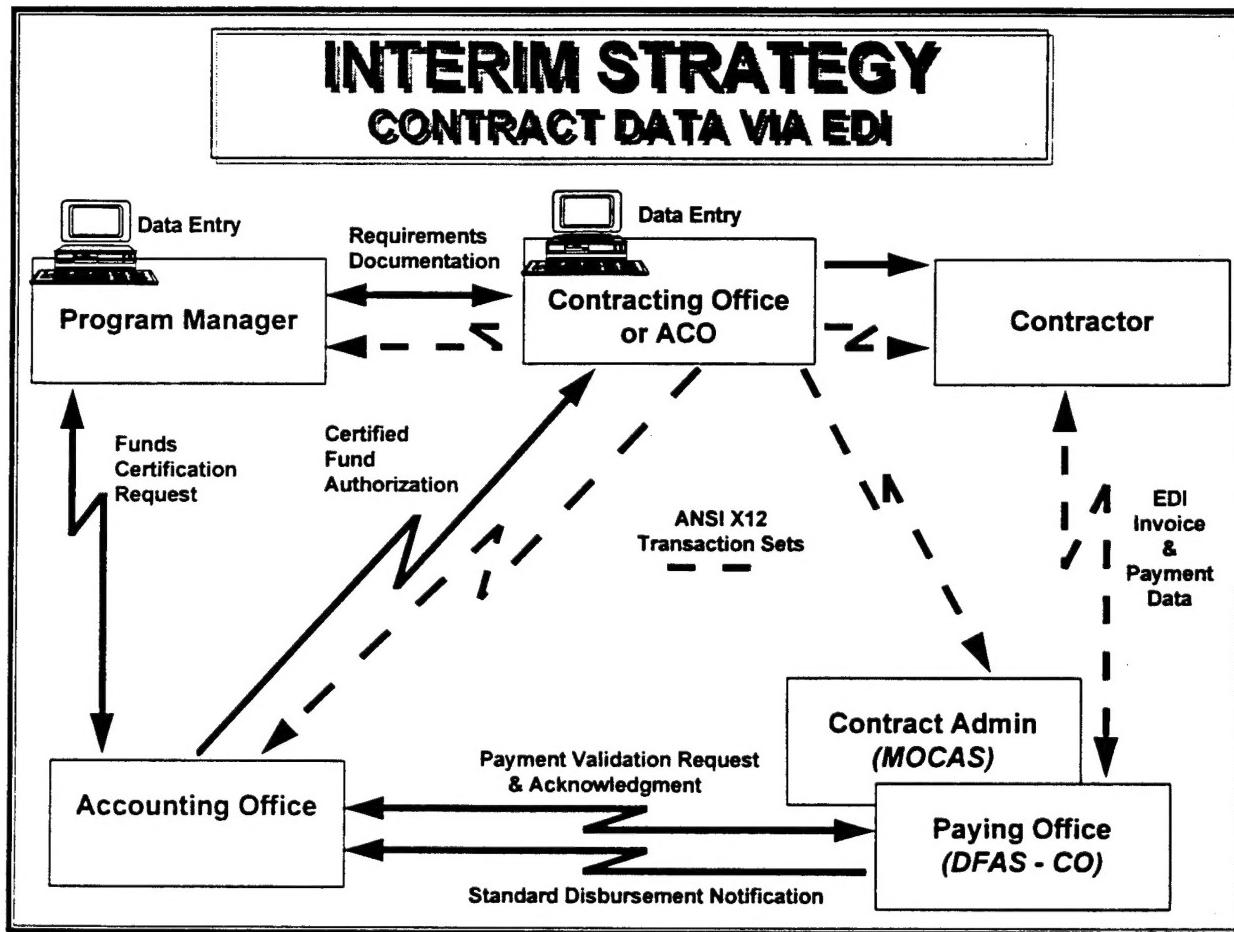
INTERIM STRATEGY
CONTRACT DATA VIA EDI

Data Entry — **Program Manager**

Requirements Documentation

Data Entry — **Contracting Office or ACO**

Contractor

Funds Certification Request

Certified Fund Authorization

ANSI X12 Transaction Sets

EDI Invoice & Payment Data

Contract Admin (MOCAS)

Payment Validation Request & Acknowledgment

Accounting Office

Paying Office (DFAS - CO)

Standard Disbursement Notification

- The same EDI transaction sets (850 and 860) can be forwarded to the accounting systems to establish or modify obligation amounts. Use of these sets will eliminate a substantial amount of manual data entry and greatly improve data integrity between the contract payment and accounting systems.

- ANSI X12 transaction sets will also be used to communicate receipt, invoice, and payment data between the contractors and DoD.

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This strategy is consistent with the future vision and ongoing initiatives. The migratory contract writing system is being modified to produce the various ANSI X12 EDI transaction sets. In addition, selected existing (legacy) contract placement systems are being modified to provide EDI transaction sets. Additionally, the DFAS-Columbus Center will be implementing the use of EDI transaction sets for both receipt processing and commercial invoices by the end of FY 1995. The transaction set for contractor progress payment requests will be implemented during FY 1995.

To implement the interim strategy, the following priority action items are required:

- Approve the EDI ANSI X12.850 and 860 version 3050 transaction sets for contracts and modifications.

- Provide an EDI capable automated contract writing system to support selected contracting officers responsible for major contracts, who do not have contract writing systems that can be modified to produce the EDI transaction sets.

- Modify the migratory contract writing system to produce the EDI transaction sets.

- Modify the legacy contract placement systems which support the major weapons systems offices to provide the EDI transaction sets.

- Provide an automated EDI-capable contract modification writing system for use by administrative contracting officers responsible for major contracts.

- Modify the contract administration system to use the EDI contract and modification transaction sets to establish and update the contract records.

- Modify the major procurement accounting systems to accept the EDI purchase order (contract) and modification transaction sets as the means of establishing and updating obligation amounts.

- Modify the invoice validation and entitlement computation process in the system used to process major contract payments.

- Validate proposed payments against the appropriate detail unliquidated obligations in the official accounting systems prior to payment.

- Modify major procurement accounting systems to accept a standard disbursement notification format.

The Working Group contends that these actions will curb the generation of UMDs. Continued coordination between the financial management and the acquisition communities is imperative.

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ELIMINATING UNMATCHED DISBURSEMENTS
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I. INTRODUCTION

A. Problem Statement

The Department has been experiencing problems matching disbursements to the proper detail obligation record, thus creating a large volume of "unmatched disbursements." The proper matching of disbursements with recorded obligations is an important control used to ensure that funds are used in accordance with the purposes and limitations specified by Congress through Appropriations Acts. As of June 30, 1993, the Defense Finance and Accounting Service (DFAS) Centers reported $19 billion in unmatched disbursements (UMDs). Contract payments make up the majority of the dollar value of unmatched transactions. Upon further examination, it was determined that the definition of unmatched disbursements differed depending on the Center and Service. For the purpose of this report, the concept of an unmatched disbursement is any disbursement received by an accounting office that cannot be accurately posted to the correct detail obligation record.

B. Acquisition and Financial Management Working Group

At the November 16, 1993, meeting of the Senior Financial Management Oversight Council, the Deputy Secretary of Defense directed the establishment of a working group to develop a course of action to alleviate the systemic problem of unmatched disbursements. The Acquisition and Financial Management Working Group was chartered for that purpose. The Working Group reports to the Acquisition and Financial Management Panel, co-chaired by the Under Secretary of Defense (Comptroller) and the Principal Deputy Under Secretary of Defense (Acquisition and Technology). Membership of the Working Group consisted of representatives from both the acquisition and financial management communities. Appendices A and B contain the charter and membership of the Working Group.

The focus of the Working Group was unmatched disbursements resulting from payments on large contracts, i.e., contracts over $25,000. It is believed that the majority of unmatched disbursements emanate from this segment of procurements because of the complexity of these contract actions. This supposition is supported by audit results where it was found that the high level of unmatched disbursements in the Navy occurred in the high dollar value contracts. Procurements over $25,000 account for about 90% of the total contract obligation value and 2% of total contract actions.

The objectives of the Working Group were to develop a plan of action to address unmatched disbursement problems and to develop a future vision in terms of characteristics and requirements of an integrated architecture involving the acquisition and financial management communities to resolve the problem of unmatched disbursements. The Working Group was tasked to evaluate current initiatives as they relate to the future vision. Additionally, short and mid-term actions that will reduce the level of unmatched disbursements and will simultaneously support the future vision were to be identified.

This report is not intended to be an audit of the unmatched disbursement problem; it is a description of a future vision of an integrated architecture to prevent or eliminate future unmatched disbursements. There have been several General Accounting Office and DoD Inspector General reports dealing with the subject of unmatched disbursements. A list and brief description of these reports may be found in Appendix C.

This report focuses on the future vision and especially the intermediate actions that will result in earlier elimination of the unmatched disbursements problem while moving towards the future vision. This report does not attempt to identify all of the many short term efforts to reduce unmatched disbursements. The Military Departments, DFAS, Defense Logistics Agency (DLA), and the Defense Contract Management Command (DCMC) are all involved in coordinated efforts to reduce unmatched disbursements. While each of these offices has its own internal initiatives they are all participating in the DFAS Undistributed Disbursements Project. These ongoing actions are receiving very high priority and include the analysis and correction of existing unmatched disbursements, as well as systemic and procedural improvements. The recommendations contained in this report do include certain ongoing initiatives which the Working Group feels deserve continued visibility. These recommendations were developed by either the DFAS Undistributed Disbursements Project or the CIM Procurement Council and are important either on their own or because other recommendations are dependent on their completion.

C. The Process Today

A typical model for the acquisition process, which encompasses a variety of functions ranging from the procurement request and funding through contracting, payment, and accounting, is depicted in Figure I-1. While variations exist, the process generally starts with the **Program Manager** (PM) who is responsible for the acquisition of supplies (including equipment) and services and accountable for the corresponding funds. The PM issues requests for procurement, provides the funds, and monitors program execution.

The **Contracting Office**, usually belonging to one of the Military Departments, assigns a Procurement Contracting Officer (PCO) who is responsible for writing, soliciting bids or proposals, and awarding the contract to the contractor. The PCO is authorized to obligate the Government via a contractual vehicle, and is charged with ensuring that the Government pays only fair and reasonable prices for contract items. The Services' PCOs use many different contracting systems. Most of the systems are automated and produce a hard copy of the contract which is distributed to the contractor, the Administrative Contracting Officer (ACO), the paying station, the accounting office, and the PM. For the purpose of this report, contracting office responsibilities are referred to as **contract placement**.

The **contractor** executes the contract, reports progress back through the ACO to the PM, delivers the products, and invoices the paying station for work accomplished.

Figure I-1. The Process Today

The Process Today

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┌─────────────────────┐     ┌─────────────────────┐     ┌─────────────────────┐
│ Program Manager     │     │ Contracting Office  │     │ Contractor          │
│                     │     │ (usually Service)   │     │                     │
│   - funds           │ ──> │                     │ ──> │  - executes contract│
│   - issues request  │     │   - awards contracts│     │  - delivers         │
│     for procurement │     │                     │     │  - invoices         │
└─────────────────────┘     └─────────────────────┘     └─────────────────────┘
          ▲                                                         │
          │                                                         ▼
┌─────────────────────┐     ┌─────────────────────┐     ┌─────────────────────┐
│ Accounting Office   │     │ Paying Office       │     │ Contract Administration│
│ (usually DFAS)      │     │ (usually DFAS)      │     │      (DCMC)         │
│                     │ <── │                     │ <── │  - admin contracts  │
│   - accounts        │     │   - pays            │     │  - issue contract   │
│   - reports         │     │   - reports         │     │    modifications    │
│                     │     │                     │     │  - accepts and      │
│                     │     │                     │     │    approves deliveries│
└─────────────────────┘     └─────────────────────┘     └─────────────────────┘
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DCMC, part of DLA, has post-award contract responsibility which includes overseeing contractor progress, inspecting and accepting items, receipt and input of contractor delivery data, progress payment administration, negotiating contractor indirect costs, contract modifications, and negotiating final settlement proposals. DCMC assigns ACOs to administer the contracts for all the Services. DCMC uses the Mechanization of Contract Administration Services (MOCAS), an on-line automated system that provides day-to-day support for a variety of business functions including contract administration, production surveillance, quality assurance, contract payment, and transportation. The system currently supports management of 385,000 contracts valued at $838 billion dollars. This part of the process is termed **contract administration**.

DFAS-Columbus is **the paying office** responsible for contract payments for the contracts administered by DCMC. DFAS-Columbus inputs contract data for use by DCMC and itself, pays contractors' invoices, accounts for all disbursements on the contract, and reports payment information to the Accounting Office which accounts for all contract obligations and expenditures. DFAS-Columbus has three contract payment directorates divided into 16 payment divisions. During FY 1993, these directorates made contract payments on approximately 1.2 million contractor invoices totaling about $66 billion. DFAS-Columbus uses MOCAS for contract payment, generating a payment either automatically or manually depending on the

circumstances of the contract or individual payment request. A record of these payments is sent to the Accounting Offices.

The **Accounting Office**, as used in this report, includes both the commitment and obligation input functions of the fund administrators as well as the recording and reporting functions of the DFAS Centers and their Defense Accounting Offices (DAOs). The DAOs, also part of DFAS, record payments against the detail obligations and include this information in financial and management reports. The Accounting Offices utilize numerous, Service-unique accounting systems. Additionally, PMs have established their own off-line management information systems.

Figure I-2 depicts the paper flow that accompanies the current process. In reality, today's process is based on hard copy documents which are copied, distributed, and repetitively entered into multiple systems and data bases that are not interconnected. This chart also illustrates the inefficiencies inherent within the current process.

Figure I-2. Paper Flow
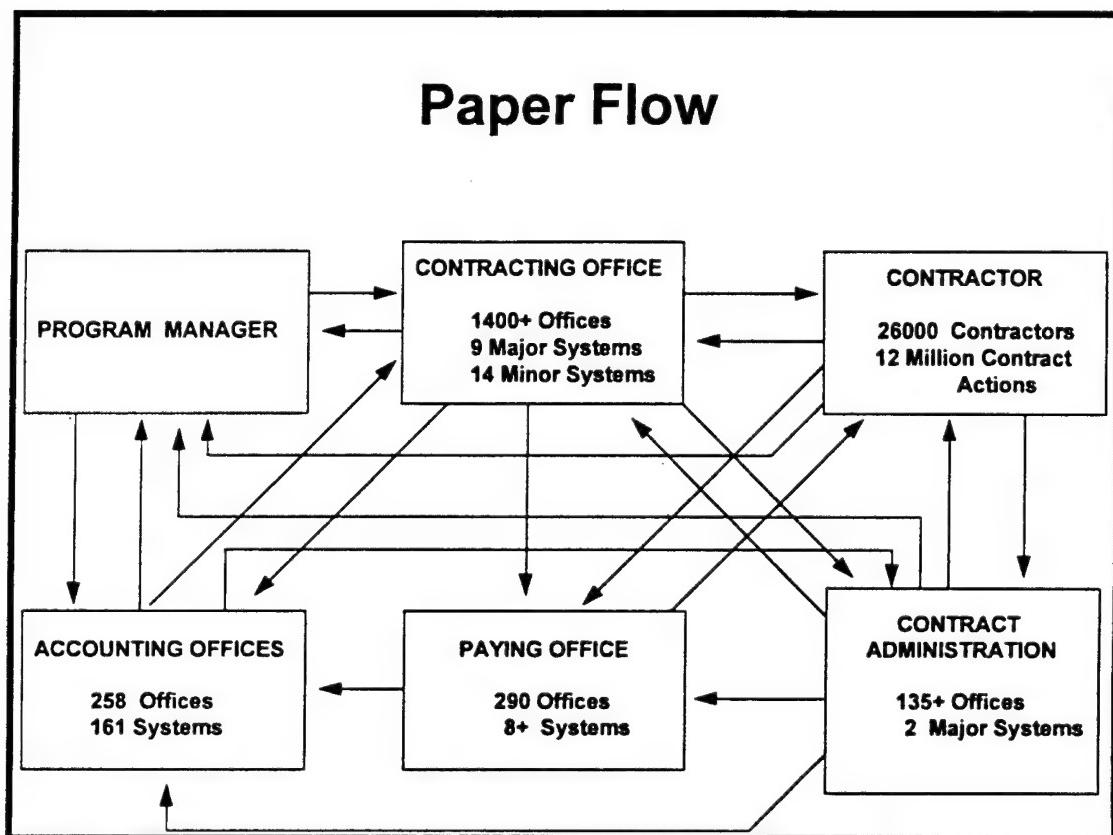
D. Causes of Unmatched Disbursements

The precise reasons causing contractor payments, made through MOCAS, to become unmatched disbursements are difficult to pinpoint. While quantitative data are unavailable, observations and experience suggest that the root causes of unmatched disbursements are inaccurate or incomplete data within the system and the lack of timely communication of information among and between program managers, DoD contracting and contract administration offices, contractors, disbursing offices, accounting offices, and others.

The problems causing the lack of data integrity and timeliness manifest themselves in an assortment of unmatched disbursement symptoms. Examples of such causes in the finance and accounting arena include, for example, data entry errors resulting from keystroke errors, incorrect selection of appropriate contract data elements, and acceptance of inaccurate data. Most recent observations indicate that a significant number of errors are caused by the inaccurate recording of long lines of accounting data. This causes payments to be made on the wrong Accounting Classification Reference Number (ACRN). Payments on the wrong ACRN also occur because there are insufficient funds available on the correct ACRN and the untimely or nonexistent entry of contract modifications. (Paying on the correct ACRN, with insufficient funds leads to a negative unliquidated obligation (NULO), a condition where total disbursements exceed obligations.) Other actions leading to unmatched disbursements include MOCAS or accounting system records being corrected or changed without notification to other parties requiring this information, duplicate contract payments, insufficient documentation to support payment data, incompatibility of the accounting systems with MOCAS, and identifying an incorrect accounting station. These causes are complicated and amplified by a lack of standard systems to transmit data electronically among accounting, disbursing, and other external offices and systems.

Current finance and accounting system structures are not fully compatible with some program management, procurement, and contract management practices and, hence, contribute to the conditions that cause unmatched disbursements. Program management and procurement practices contributing to the causes of unmatched disbursements include non-uniform contract format and structure (contract data, including fund citation information, are found in varying locations from contract to contract), use of multiple funding sources for single line item, missing or inaccurate information, untimely/erroneous distribution of documents, and non-standard payment procedures for transportation costs. Contract management practices that contribute to unmatched disbursements are inaccurate contract modifications and untimely or erroneous distribution of documents.

E. Report Format

The major functional areas, as shown in Figure I-1, are discussed in Sections III through VIII of the report. The general format includes some descriptive statistics, the impact of the functional area on UMDs, description of ongoing initiatives, general discussion, and recommendations. The funding of systems affecting UMDs is presented in Section IX. The future vision to resolve the problem of UMDs is described in Section X. Also included in Section X is an interim strategy, providing short term initiatives that will attack the problem of UMDs while

simultaneously moving toward the future vision. Section XI contains a brief discussion of benchmarking and the identification of potential benchmarking projects. For convenience, the recommendations are summarized in Section XII. Also in Section XII are improvement initiatives and recommendations presented in a timeline format. As previously mentioned some of the recommendations do not represent new efforts identified by the Working Group but are existing initiatives being pursued by the various offices. They are included for completeness.

II. WORKING GROUP RECOMMENDATIONS

RCMD. NUM	RECOMMENDATION	PAGE NUM
III-1	Perform a review to determine if the number of ACRNs being cited on contracts can be reduced without detrimental effect on either program or financial information or control requirements.	III-2
IV-1	Assign responsibility for entry of contract data into MOCAS to the contract or contract modification originator concurrent with the implementation of contract writing systems with EDI capabilities.	IV-12
IV-2	Provide NAVSEA, NAVAIR, and SPAWAR with an automated contract writing system capable of transmitting contract data in the ANSI X12.850/860 formats to MOCAS.	IV-13
IV-3	Implement ANSI X12.850/860 transaction sets capability in AMIS.	IV-13
IV-4	Implement ANSI X12.850/860 transaction sets capability in PADDS.	IV-14
IV-5	Develop the capability for contract writing systems to accept an automated feed of financial data from the accounting systems.	IV-14
IV-6	Bring to closure the DFARS Case 93-D016 to require each CLIN to reference a single ACRN.	IV-15
IV-7	Establish a Program Manager and support office to develop and implement a program plan for the contract writing and contract administration migratory systems.	IV-15
IV-8	Standardize the format of definitization (i.e. PZ and AZ) modifications with respect to the identification of the value of the change amount and the cumulative amount.	IV-16
IV-9	Require clear identification of CLINs as either cost type or fixed price when both are used in the same contract.	IV-16
IV-10	Standardize the ordering and accounting for first destination transportation costs when billed by the contractor separately from the deliverable line items on a contract.	IV-17
VI-1	Accelerate the June 1995 enhancement of MOCAS with ANSI X12.850/860 EDI transaction set version 3050.	VI-4
VI-2	Provide an EDI-capable automated contract modification writing system to all DCMC ACOs.	VI-4
VII-1	Limit the use of MOCAS internal unvouchered accounting line adjustments to cases where DFAS-CO has been provided evidence that another office has processed a vouchered disbursement adjustment.	VII-7

II. WORKING GROUP RECOMMENDATIONS

RCMD. NUM	RECOMMENDATION	PAGE NUM
VII-2	Validate proposed payments against the applicable detail obligation(s) in the official accounting system prior to payment.	VII-8
VII-3	Revise MOCAS to recognize the difference between cost and fixed price CLINs within a contract in the payment processes.	VII-8
VII-4	Revise the automated process for the assignment of ACRNs on cost type payments to require input of CLIN/SLIN amounts.	VII-8
VII-5	Revise progress payment process to pay based on CLIN/SLIN.	VII-9
VII-6	Revise the automated progress payment recoupment process in MOCAS.	VII-9
VII-7	Perform a review of the MOCAS payment logic to identify all barriers to automatic payment processing and take action to reduce the amount of manual processing required.	VII-10
VII-8	Implement the routing procedures and instructions for transmitting EDI transaction sets within DoD.	VII-10
VII-9	Develop and begin executing a plan for the reconciliation of the existing backlog of out-of-balance contracts and ACRNs in MOCAS.	VII-10
VII-10	Develop specific criteria to be used to determine when contract reconciliation efforts should be terminated due to lack of information.	VII-11
VII-11	Ensure that progress payment requests include an allocation of the net progress payment amount to the CLIN/SLIN level.	VII-11
VII-12	Ensure that cost type billings include an allocation of the net billing amount to the CLIN/SLIN level.	VII-12
VII-13	Develop adjustment procedures, including the associated accounting treatment, to resolve reconciliation issues involving canceled appropriations.	VII-12
VII-14	Develop procedures to ensure that both the paying office and the applicable accounting office are notified whenever payment corrections or adjustments are processed.	VII-12
VIII-1	As an interim measure, transmit obligation transactions to the MOCAS system from STARS.	VIII-7
VIII-2	Perform automated comparisons of STARS, CPAS, SOMARDS and SAPAS accounting records with MOCAS contract records at least quarterly.	VIII-7

II. WORKING GROUP RECOMMENDATIONS

RCMD. NUM	RECOMMENDATION	PAGE NUM
VIII-3	Implement an unmatched disbursements reporting process that will ensure adequate management visibility.	VIII-7
VIII-4	Install in MOCAS appropriate edits and validations of incoming accounting data to ensure that the MOCAS accounting lines accurately reflect the data in the official accounting systems.	VIII-8
VIII-5	Review the feasibility of overlaying MOCAS accounting lines with STARS accounting data using automated reconciliation data.	VIII-8
VIII-6	Conduct a pilot test of on-site input of Navy contract modification obligations by DCMC offices into STARS.	VIII-8
VIII-7	Ensure adequate staffing levels are maintained in the Contract Entitlements Directorate until the backlog of out-of-balance contracts is reduced and the volume of new UMDs is significantly reduced.	VIII-9
VIII-8	Transmit funding data to contracting office electronically (including funds certification when provided separately) from the accounting system using a standardized commitment document number.	VIII-9
VIII-9	Use ANSI X12.850/860 (version 3050) EDI transaction sets to establish contract obligations in the accounting systems.	VIII-10
VIII-10	Establish a commitment document number to contract number, CLIN/SLIN, and ACRN cross reference file for selected legacy and migratory accounting systems.	VIII-10
VIII-11	Limit accounting data on contracts to contract number, CLIN/SLIN, ACRN, FY, appropriation, limit/subhead, commitment document ID Number, and accounting station.	VIII-11
VIII-12	Standardize the disbursement transaction control and distribution process across the Department.	VIII-11
VIII-13	Implement direct transmission of Contract Payment Notification (CPN) records from MOCAS to the installation level accounting system.	VIII-11
VIII-14	Perform an analysis to determine the requirements and feasibility of a shared contract data base supporting acquisition, accounting and finance.	VIII-12
VIII-15	Develop and issue standard procedures for researching and clearing UMDs and NULOs.	VIII-13
VIII-16	Develop and provide training to both DFAS and customer personnel involved in the research and clearing of UMD related transactions.	VIII-13

II. WORKING GROUP RECOMMENDATIONS

RCMD. NUM	RECOMMENDATION	PAGE NUM
VIII-17	Validate current procedures for identifying, posting and tracking overpayments to contractors. Modify accounting and payment systems as needed to provide positive visibility and control over outstanding contractor overpayments.	VIII-13
IX-1	Review the funding and prepare a comprehensive plan by initiative and system for contract placement and administration migratory systems.	IX-10
IX-2	Review the finance and accounting migration plans and prepare a comprehensive schedule and funding plan by initiative and system.	IX-10
X-1	Develop a joint acquisition and financial management schedule, resource plan, and milestones for the approved recommendations.	X-5
X-2	Expedite the consolidation of the standard data element sets being developed by both the acquisition and financial management communities.	X-6

III. PROGRAM MANAGEMENT

A. Description, Volumes, Systems and Impact on UMDs

The Program Management office is responsible for cradle-to-grave management of a weapons system or other major program. Major functions include development of system specifications, budgeting, and contractor performance management. The program management function begins the contracting process by submitting a requisition to accounting and finance for certification of funds. When the program office receives the certification, it is forwarded along with technical requirements to the contracting office for the preparation of the solicitation and subsequent contract negotiation, if appropriate, and contract award. While the Program Manager (PM) is responsible for acquisition planning, the Procuring Contracting Officer (PCO) has a significant influence in the development of the acquisition strategy. After award of the contract, many program offices use their own management information systems to track program performance and expenditures against the obligation balances.

The impact of program management on unmatched disbursements is primarily in the area of contract structure and length. The inherent complexity and length of major weapon system contracts have both been cited as indirect causes of unmatched disbursements. This impact results because hard copy contracts must be interpreted and manually entered into both accounting and contract management systems.

B. Initiatives

Acquisition Streamlining. Many recent initiatives to streamline acquisition have resulted in the consolidation of procurements and lengthening of contract performance. Although these initiatives are beneficial to the program manager and the contracting function by reducing workload and acquisition lead times, their impact on other functional areas is not always beneficial. Consolidating requirements, while reducing the number of contracts which have to be written, may require input of an excessive number of long lines of accounting which will increase the probability of input errors. Consolidating requirements may also result in a hybrid contract which contains both fixed price and cost type efforts which can easily confuse or hamper the payment process as currently structured.

C. Discussion

Lines of accounting are identified by Accounting Classification Reference Numbers (ACRNs), a two character reference used primarily as an abbreviation for the long line of accounting. Each discrete line of accounting data is represented by a unique ACRN; the more accounting lines funding a contract, the more ACRNs. The more ACRNs, the more complex the contract and, subsequently, the more difficult to administer and make payments against. This is especially true when multiple ACRNs

fund a single line item. Basically, the more lines of accounting within a contract, the more potential exists for errors and the more complex the system has to be to allocate payments against them. For example, when making payments for a line item funded by multiple ACRNs, specific payment instructions on how to allocate the payment against the ACRNs must be present in the contract to ensure that the correct obligations are charged for the payment. Errors in this computation or proration, especially during progress payments, can result in unmatched disbursements or violations of the Anti-Deficiency Act.

PCOs and PMs must be aware of how the acquisition plan impacts other functional areas. Financial managers also must be responsive to acquisition initiatives and carefully design their automated systems to handle inherent complexities of major weapon systems. Together they should ensure that contract administration and payment functions can perform in an efficient and effective manner. Much of the current difficulty with complex contracts can be traced to the problems payment clerks encounter in reading and interpreting contract provisions. Therefore, many of the problems associated with contract structure will be resolved by the adoption of improved automated processes including the use of EDI transaction sets and improvements to the MOCAS payment algorithms. If the systems can be automated to handle payments on complex contracts, these problems will disappear.

D. Recommendations

RECOMMENDATION III-1: Perform a review to determine if the number of ACRNs being cited on contracts can be reduced without detrimental effect on either the program or financial information or control requirements.

Multiple ACRNs or lines of accounting within a contract increase the difficulty in administration and payment. While increased lines of accounting increase the probability of data input errors resulting in unmatched disbursements, lines of accounting entered correctly can still result in unmatched disbursements when payment clerks attempt to make payments on multiple funded line items. Without clear instructions within a contract as to how to prorate payments against a line item's different accounting lines, payments can be allocated in a manner which could result in unmatched disbursements or a violation of the Anti-Deficiency Act. In the interest of streamlining acquisition and in support of the National Performance Review, accounting lines which are not required to meet statutory restrictions (fiduciary in nature) should be evaluated for elimination from contracts to reduce the potential for error.

Planned Completion Date: Dec 1995
Responsible Office: DoD Comptroller

IV. CONTRACT PLACEMENT

A. Description, Volumes, Systems, and Impact on UMDs

Contract placement encompasses the preparation of solicitation and contract documents, including modifications to existing contracts. The contract placement function begins with receipt of the purchase request or requisition and ends with award of a contract. There are more than 40,000 procurement personnel operating at over 1400 contracting offices within DoD today. In FY 1993, the Department of Defense processed about 12 million contract actions valued at over $138 billion. These actions were prepared using a variety of processes ranging in complexity from multi-user contract writing systems that interface with relational data bases to manually typing and sorting preprinted forms and pages. Excluding the manual and simple word processing programs, there are currently 9 major automated contract writing systems in use today. These systems generate over 90% of all contract actions and are depicted in Table IV-1 along with the activities using them, business categories they support and data transmission capabilities. Note: The "X" in the EDI block indicates, at the time of the review, the system was capable of transmitting some version of the ANSI X12.850 transaction set.

Table IV-1. Automated Contract Writing Systems

SYSTEM	TYPE OF CONTRACTING	ACTIVITIES	MILSCAP	EDI
ARMY:				
SAACONS	Installation/Base Support, A&E, Medical, R&D	Post, Camp and Stations, Army Corps of Engineers, Major Commands		X
PADDS	Inventory Mgt., Depot Maint, Weapon Systems, R&D	Army Materiel Command	X	
AIR FORCE:				
BCAS/MADES	Installation/Base Support	Base Contracting Offices		X
AMIS	Weapon Systems, R&D	AFMC Product and Test Centers	X	
AFMC SUITE ACPS/J041/J023/ J018/J014/E841	Inventory Mgt and Services	AFMC Air Logistics Centers	X	
DLA				
BOSS	Installation/Base Support	Supply Activities		
DPACS	Inventory Mgt	Supply Centers	X	
NAVY/USMC:				
APADE	Installation/Base Support	Shipyards, Depots, Regional Contracting Centers, FISCs, and USMC Air Stations		X
ITIMP	Replenishment and Spare Parts and Services Procurements	Aviation Supply Office, SPCC, Marine Corps Logistics Base, Albany GA	X	X

Military Standard Contract Administration Procedures (MILSCAP) prescribes standard procedures for use in exchanging contract related data in automated form between purchasing offices and field contract administration offices. The procedures were established to attain a greater degree of simplification, standardization, and automation in the processing of contract related data and reduce the flow of hard copy documents between contract administration organizations and other DoD activities.

MILSCAP also provides standard procedures for forecasting and reporting deliverables; and computer procurable contract payment notifications for input into allotment and obligation status records. The procedures use automated data processing equipment and high-speed data transmission through the Automatic Digital Network (AUTODIN) to automated systems at purchasing offices, inventory control points, field contract administration offices, and finance and accounting offices. Although MILSCAP electronically transmits contract data to MOCAS, DFAS waits for the hard copy of the contract to validate the data transmitted, as well as add additional elements. MILSCAP procedures allow the transmissions depicted in Figure IV-1.

Figure IV-1. MILSCAP Transactions
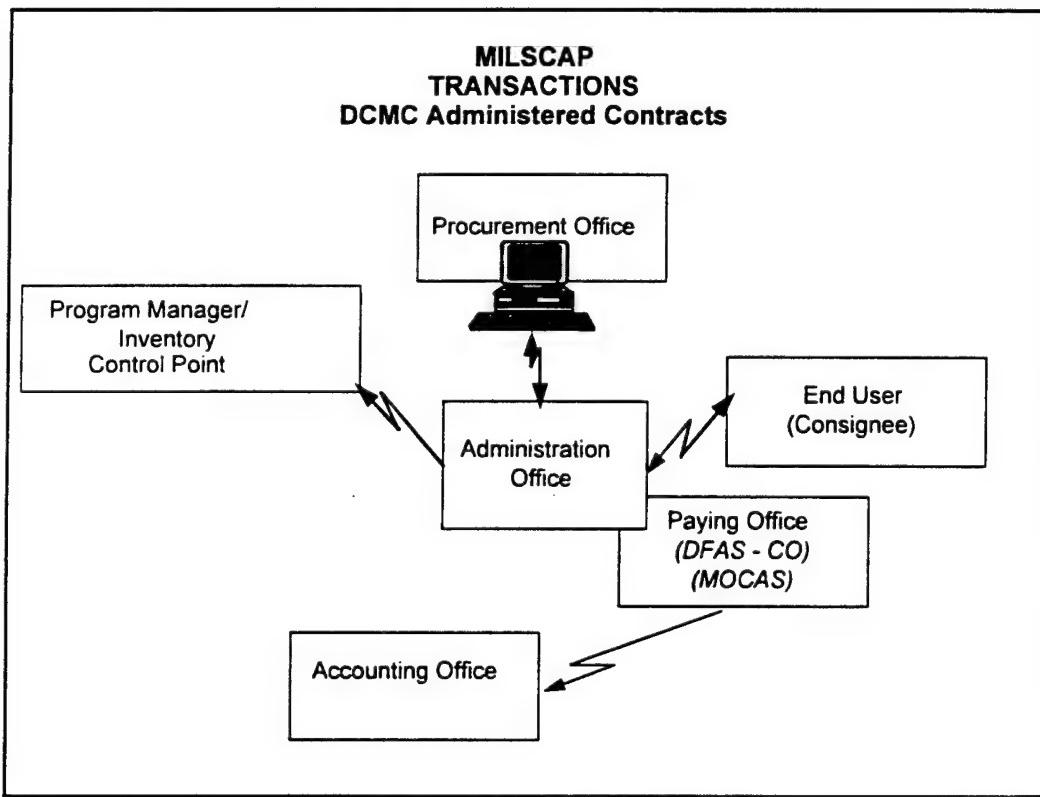
The Purchasing Office transmits key elements of the contract (**Contract Abstract**) to the MOCAS data base shared by Contract Administration and the Payment Office. Originators of contract modifications (either PCOs or ACOs) also transmit key elements (**Modification Abstract**) to the MOCAS data base. The Contract Administration Office notifies the Procurement Office, Program Manager, or Inventory Control Point of contractor shipments

(Shipping Performance Notice). The Contract Administration Office notifies consignees of contractor shipment and destination acceptance requirements (**Acceptance Alert**). The consignee acknowledges receipt and acceptance of supplies (**Acceptance Report**). The Contract Administration Office notifies the Procurement Office (**Revised Delivery Forecast**) of changes to delivery schedule. The Paying Office notifies Accounting Offices of disbursements (**Contract Payment Notice**).

The standardization of format and content of procurement instruments through the use of MILSCAP facilitated the transfer of contract administration data without misinterpretation and permitted direct keying from the instruments without the need for coding and transcribing operations. MILSCAP also allows for capturing data in automated form simultaneously with preparation of the contract. *However*, thirty years after the MILSCAP was established, less than fifty percent of the contracts required to be entered into MOCAS are transmitted via MILSCAP. The main reason MILSCAP did not become the primary means of transmission of data from the contract writing systems to MOCAS was because *its use was never enforced*.

Changes to MOCAS and the need for more contract information in the contract administration and payment data base eventually outpaced the existing MILSCAP capability. Although the majority of contract information can still be provided by MILSCAP, there are some data elements not available through MILSCAP which must be manually entered into MOCAS by data clerks. Additionally, due to a perceived high error rate of MILSCAP transmissions, many DFAS data clerks choose to enter all the data manually in lieu of using the MILSCAP electronic transmission.

B. Current Initiatives

1. Contract Writing Systems Migration Strategy

An ongoing DoD Corporate Information Management (CIM) initiative is to improve standardization, quality, and consistency of data from OSD's multiple management information systems. Part of this CIM effort is to establish migratory information systems to eliminate the continued investment in multiple systems supporting the same business or functional area. Recognizing the benefits which could accrue through such an initiative, the Deputy Secretary of Defense issued direction on October 13, 1993, for DoD to move to migration systems within three years. The adoption of migratory systems with Electronic Data Interchange (EDI) capability will allow for more efficient interfacing between the various functional areas and end repetitive data entry efforts.

The Corporate Information Management Procurement Council conducted an inventory of existing automated information systems for contract writing in August 1992. Based on that inventory, and a subsequent evaluation of the nine major and fourteen minor systems, the Director of Defense Procurement (DDP) selected the Defense Logistics Agency's Pre-Award Contracting System (DPACS) as the DoD migratory system for contract writing in January 1993. The plan for conversion of the legacy systems to the migration system is provided in Table IV-2.

Table IV-2. Legacy to Migration System Conversion Timetable

- BOSS   JAN 1995 - JUL 1995
- ITIMP   JAN 1995 - DEC 1995
- BCAS   APR 1995 - SEP 1996
- SAACONS JUL 1995 - SEP 1996
- APADE   OCT 1995 - SEP 1996
- PADDS   JAN 1996 - SEP 1996
- AFMC Suite JAN 1996 - SEP 1996*

* The Air Force Materiel Command (AFMC) Suite conversions will involve the five Air Logistics Centers only. The remaining AFMC Suite activities (to include AMIS) will be transitioned as their unique interfaces are completed.

In order to minimize loss of functionality within the services as the migration system replaces unique Service contract writing systems, DPACS is to be enhanced with some of the capabilities the Services currently have. An additional enhancement is the interfacing of pre- and post-award data bases. This enhancement plan is to allow for transmission of the American National Standards Institute (ANSI) X12.850 and 860 transaction sets from the migration system to the MOCAS data base thus avoiding duplicative data input currently performed by DFAS. This action is scheduled for completion by June 1995. Other enhancements (15) planned for DPACS as the result of the migration enhancements project are intended for implementation prior to June 1995 (Initial Operating Site (IOS) capability, Albany, GA). The migration strategy for the contract placement function is discussed in detail in Section C.

2. Electronic Data Interchange

The National Performance Review (NPR) highlighted Electronic Commerce/Electronic Data Interchange (EC/EDI) as a promising technology that the Government should embrace in streamlining its operations. On October 26, 1993, the President signed a memorandum mandating the use of EC for appropriate Federal purchases as quickly as possible. In addition,

Congress has expressed an interest in EDI and has linked the Simplified Acquisition Reform Initiative, which raises the small purchase threshold from $25,000 to $100,000, to implementation of EDI within the DoD.

In July 1993, the Deputy Under Secretary of Defense for Acquisition Reform (DUSD-AR) initiated a Process Action Team (PAT) to respond to the NPR recommendations concerning EC/EDI. The team's tasks included developing a comprehensive plan for implementing an Electronic Commerce approach for procurement functions consistent with the ANSI X12 standards, developing a planning estimate for the resources and schedule required, and identifying relevant policy issues. The PAT's report estimates that 80 percent of current DoD **small purchase** actions can be accomplished through current EDI technologies and methods within a two year plan at a deployment cost of $26.4M. The PAT's recommendations were approved by the Deputy Secretary of Defense on January 5, 1994. Funding has been provided, and a deployment group has been established to manage these efforts. Deployment will consist of providing the required infrastructure to support existing EDI capabilities within six existing contract placement systems: APADE, ITIMP, MADES, SAACONS, SPEDE, and DPACS.

As EDI is deployed for small dollar value procurements, efforts are already underway to expand EDI to large dollar acquisitions and for inter-Governmental use. The current purchase order transaction set (ANSI X12.850 version 3.4) is capable of transmitting only the data necessary for small purchases - those under $25,000 in value. Larger, more complex contracts require the transmission of many more data elements. An expanded purchase order transaction set (ANSI X12.850 version 3050) has been developed and is currently undergoing the rigorous approval cycle for ANSI standards. This revised set is expected to be available for use in the April 1995 time frame.

EDI is also envisioned as a method of facilitating data transmission within the Government. Specifically, transmission of contract data from the contracting activity to the MOCAS database, now accomplished manually or through a combination of MILSCAP and manual data entry, could be executed by means of an EDI transmission. EDI transmissions provide clear advantages over current methods in terms of error reduction and speed. Accordingly, the CIM Procurement Council has provided funds to DLA to modify MOCAS to accept the revised (3050) 850 transaction set for contract data entry purposes. This will result in the capability for any contract writing system that can produce the 850 transaction set to populate the MOCAS data base by means of EDI. It is expected that this will result in a significant reduction of errors in the contract payment database.

3. Contract Structure - Contract Line Item Number/Accounting Classification Reference Number (CLIN/ACRN) Alignment

Defense Federal Acquisition Regulation Supplement (DFARS) Case 93-D016, Sequence of Progress Payments, contains a proposed revision to DFARS which would require each Contract Line Item (CLIN) to reference a single Accounting Classification Reference Number (ACRN) for non-R&D contracts. The revision would also provide instructions when it is

necessary to fund a single CLIN with multiple ACRNs. The methodology may include establishing funding Subline Item Numbers to separately identify each ACRN.

The DFARS case is the result of DoDIG Audit Report Number 92-064 dated March 31, 1992, which found that progress payments for the multiple appropriation funded Air Force Titan IV contract were made from a predetermined sequence of appropriations (in accordance with Air Force Regulations). The contractor's requests for progress payments did not specify the type of work performed, and, consequently, payments were made to the contractor without regard for whether the payment was made from the appropriation that reflected the type of work performed. The report concluded that, although no indication was found that total funds obligated on the contract had been exceeded, the lack of appropriation control when making progress payments could result in a violation of United States Code, Title 31, Sections 1301 and 1341, which require that moneys be spent for the purpose for which they were appropriated.

The DoDIG made four recommendations which arise from the central assertion that contracts with multiple sources of funds must be structured to require segregation of costs reported on progress payment requests by type of appropriation. Based on the recommendations within the report, the Director of Defense Procurement and the Director of DFAS agreed to establish policy and procedures that will provide information on the distribution of progress payments by contract line item or subline item to the disbursing officer as necessary to permit disbursements to reflect actual performance on the contract.

C. Discussion

1. Factors Contributing To Unmatched Disbursements

A number of issues have been identified within the contract placement function which contribute to unmatched disbursements. These include the entry of incorrect data into contracts, improper distribution of contracts, distribution of illegible contracts, business categories, service unique requirements, contract structure, the myriad of automated systems which do not and can not interface with each other, and manual data reentry.

a. Entry of incorrect data into contracts, improper distribution of contracts, and distribution of illegible contracts: If financial data within the contract is incorrect, or if the data is entered into MOCAS incorrectly, the data base from which disbursements (payments) are made will be inaccurate. Eventually, the disbursements will be charged against the wrong accounting data and, therefore, will not be accepted by the accounting stations due to incompatibility with accounting records. This creates a mismatch between the accounting records and the disbursing records (and hence, unmatched disbursements). In addition, DFAS can only enter contracts and changes they are provided. If the contracting office does not provide for the proper distribution of contract documents, or if they provide DFAS with illegible contract documents, the contract payment data base will not reflect complete contract information.

b. Business categories identifying types of supplies/services: The following DFARS business categories require a different type of contract writing:

- **Installation/Base Support**

- **Operational/Maintenance**

- **Inventory Management**

- **Weapon Systems**

- **Research and Development**

- **Depot Maintenance**

- **Architect and Engineering**

- **Grants and Cooperative Agreements**

The uniqueness of these business categories and the resultant contracts makes it difficult for DFAS personnel to move from one contract to another and easily identify requirements to input into MOCAS. While installation contracting creates high volume, non-complex, low dollar value contracts (small purchases) to support base operations; weapon system contracts are usually high dollar value, complex contracts with requirements for solicitation and contract writing, clause selection and source selection processes. Construction and Architect-Engineer (A-E) contracts on the other hand have a completely different contract format than the other categories.

c. Contract structure and Service-unique requirements: Parts 14 and 15 of the Federal Acquisition Regulation (FAR) prescribe formats to use in the preparation of Invitations for Bids (IFBs), Requests for Proposals (RFPs), and Requests for Quotations (RFQs). IFBs are used in sealed bidding while RFPs and RFQs are used in negotiated procurements. Contracting officers are required to prepare RFPs, RFQs, IFBs and their resulting contracts using the uniform contract format in Figure IV-2 *to the maximum extent practicable.* However, while a uniform contract format exists, the latitude available to and exercised by the contracting activities, as well as the complexities of the various services/supplies being procured, make it extremely difficult to find a standard approach between the Services.

Figure IV-2. Uniform Contract Format

Part I - The Schedule

A Solicitation/Contract Form
B Supplies or Services and prices
C Description/Specifications
D Packaging and Marking
E Inspection and Acceptance
F Deliveries or Performance
G Contract Administration Data
H Special Contract Requirements

Part II - Contract Clauses

I Contract Clauses

Part III - List of Documents, Exhibits, Attachments

J List of Documents/Exhibits/Attachments

Part IV - Representations and Instructions

K Representations, Certifications and Other Statements of Bidders
L Instructions, Conditions and Notices to Bidders
M Evaluation Factors for Award

Note. Section G includes required accounting and appropriation data and any required contract administration information or instructions other than those on the solicitation form.

The use of the uniform format facilitates preparation of the solicitation as well as reference to, and use of, those documents by bidders, contractors and other government offices. *However,* acquisitions for Construction and Architect-Engineer contracts, Shipbuilding, Subsistence items, contracts requiring special contract forms stipulated elsewhere in the FAR, Firm Fixed Price or Fixed Price with Economic Price Adjustment contracts that use the simplified contract format, *are not required to follow the uniform contract format.* In Fixed Price and Fixed Price with Economic Price Adjustment contracts, the contracting officer may use a simplified contract format. Contracting Officers have flexibility in preparation and organization, however, they are to use the simplified contract format in Figure IV-3 *to the maximum extent practicable.*

Figure IV-3. Simplified Contract Format

A. Solicitation/Contract Form

B. Contract Schedule (to include for each Contract Line Item)

      1. Contract Line Item Number (CLIN)
      2. Description of Supplies/Services
      3. Quantity and Unit of Issue
      4. Unit Price and Amount
      5. Packaging and Marking
      6. Inspection and Acceptance
      7. Place of Performance, Delivery, FOB, Delivery Dates
      8. Other Item Peculiar Information such as Individual
      Fund Citations

C. Clauses

D. List of Documents/Attachments

E. Representations and Instructions

      1. Certifications
      2. Instructions
      3. Evaluation Factors for Award

Another problem with contract format is found in modifications definitizing unpriced contractual actions. Initially, undefinitized (unpriced) actions are partially funded up to a specified not-to-exceed price which is entered into MOCAS. As a result of contract negotiations to definitize the price, the amount obligated could increase or decrease. The contract modification reflecting the price definitization is then issued and forwarded to DFAS to update the MOCAS data base. Procuring Contracting Officers and Administrative Contracting Officers often restate the entire contract obligation data at definitization (on both the contract document and financial accounting data (FAD) sheet) instead of presenting the net change (initial ceiling price obligation minus total contract obligation) on the definitization modification and FAD sheet. When PCOs and ACOs forward the modification restating the entire obligation, the DFAS data entry clerks enter this data into the MOCAS payment system and the new amount obligated reflects both the original ceiling price obligation amount and the final definitized amount. This double entry of obligation data causes an inaccurate set of financial records in MOCAS.

d. Independently developed automated contract placement systems:
Automated procurement systems were independently developed by the Services around the various categories and complexities of supplies or services being procured - each system having its own interpretation of where and how contract information (including contract financial data) is placed within the contract. The resultant contracts make it difficult for data input clerks to easily or readily identify contract requirements due to uniqueness of the individual offices (even within the same Service component), often leading to misinterpretation of contract requirements and erroneous entries into MOCAS. As an example, some automated systems will place unique requirements in Section I of the contract while others will place the same requirement in Section C and the statement of work. Financial information will also be dispersed throughout the contract in differing ways by the Services and their automated systems. Additionally, when several ACRNs support the same line item there is no way to determine the disbursement rate against each ACRN unless specific detail is provided to the payment office within the contract. In some cases, progress payments must be equally prorated across all ACRNs; in others cases, payments need to be allocated to ACRNs based on a pre-determined formula. Finally, developing independent systems also resulted in systems not capable of communicating with each other - not capable of sharing each other's data - thereby requiring the duplication of data input when the data is used by more than one system such as the writing and the contract administration systems. Not only does this increase the probability of errors in the data base, it also requires the handling and mailing of hard copies of contracts and modifications and the resultant delays (30 to 60 days) to the input/update of information.

2. Reduction/Elimination Of Unmatched Disbursements

Data currently being collected by DFAS will identify contracting activities responsible for poor quality contracts and will be used as a basis for taking appropriate actions to identify and correct the causes. Contracting activities must assure automated contract writing systems have proper validation edits of data elements being placed within the contract and then assure that proper distribution of copies is made. The other issues contributing to unmatched disbursements (unique formats, misinterpretation of complex contract requirements) can most effectively be addressed by implementing an EDI capability in contract placement. The function would then have the capability to interface with other functional automated systems whether they be accounting, contract administration and payment, or inventory control. The capability would allow for capture of information needed by the other functional areas and automatically make that information available without the need for additional data entry. The proposed migration plan for contract writing is seen as moving in this direction.

a. Contract writing migration plan: The implementation plan for the contract writing migration system would provide the system to the activities with legacy systems which are centrally managed and supported by central design activities. Those systems (BOSS, ITIMP, BCAS, SAACONS, APADE, PADDS and the AFMC Suite) produce over 90% of the contract actions completed within DoD. Activities using the remaining 14 legacy systems (and those without automated systems) will not be provided the migration system until after FY 1997. Although considered as part of the AFMC Suite, AMIS is not scheduled to be replaced by the

migration system until some time after FY 1996. AMIS, used by AFMC Product and Test Centers, is currently transmitting contract data to MOCAS via MILSCAP, however, due to the incompleteness of the MILSCAP transaction set, manual data input of additional contract data by DFAS is still required.

b. Contracting offices not being provided with the contract writing migration system: The Procurement CIM Council made the decision to deploy the contract writing migration system to a limited number of procurement activities prior to FY 1997. This initial deployment was based, in part, on the number of contracts being written at the contracting activities and the costs associated with maintaining a central design activity. The remaining contracting activities are planned to receive the contract writing migration systems sometime after FY 1997. This deployment schedule did not take into consideration the contracting activities with large numbers of unmatched disbursements associated with their contracts. For example, while the Navy Air Systems Command (NAVAIRSYSCOM) and the Navy Sea Systems Command (NAVSEASYSCOM) write a relatively small percentage of DoD contracts, they account for a significant percentage of the unmatched disbursements. The Navy Space and Warfare Systems Command (SPAWARSYSCOM), NAVAIRSYSCOM and NAVSEASYSCOM have limited contract placement systems and will not be provided the migration system until some time after FY 1997. These three Navy Commands account for over 95% of the dollar value of Navy's unmatched disbursements ($9 billion in January 1994). The Contracting Offices activities within these Commands have no means of transmitting data to MOCAS; their systems do not allow for MILSCAP or EDI capabilities.

The capability to electronically transmit contract data directly into MOCAS by use of the ANSI X12.850 and 860 transaction sets is viewed as a significant key in eliminating the unmatched disbursements. The electronic capture and/or transmission of contract data by activities not scheduled to receive the migration system in the near future, (e.g., Navy SYSCOMS and AFMC Product and Test Centers) could be accomplished in several ways: providing earlier deployment of the migration system (DPACS), providing commercial off-the-shelf contract writing software (with EDI capability), entering contract data to MOCAS via on-site terminals, or using existing legacy systems which have been upgraded with ANSI X12.850/860 capability.

c. Functional interfacing: Currently, some Service contract writing systems electronically interface with their supporting accounting and inventory management systems. Maintaining accurate accounting records is also highly dependent on interfacing the accounting and writing systems to capture commitment and obligation accounting data. The migration implementation plan addresses the need for the contract writing system to electronically interface with the contract administration system, however, it is silent on the need to interface with supporting accounting systems.

3. Summary

The Acquisition and Financial Management Working Group believes that the move to a standard contract writing migration system with EDI capabilities will help eliminate the

duplication of data entry and reduce human errors thereby improving the overall quality of the data responsible for unmatched disbursements. In addition, EDI should increase system responsiveness thus reducing the undistributed disbursements resulting from mailing and processing delays ("float"). However, it must be emphasized that EDI, in itself, will not correct the problems causing unmatched disbursements if the proper validation edits are not incorporated in contract writing systems. If a contract is not written properly, or if it contains erroneous information, EDI will not correct the errors, it will only process them at lightning speed.

The CIM Procurement initiative, in theory, would eliminate continued investment in multiple contract writing systems supporting DoD procurements and also make interfacing with other functional areas more economical. The ability to effectively and permanently minimize and ultimately eliminate unmatched disbursements is highly dependent on the timely implementation of migratory systems, not only within the contract placement functional area, but also within the administration, payment and accounting functional areas. Although the group would like to see the contract writing migration system implemented before September 1996, we believe the schedule is aggressive - if not at risk - when considering the system enhancements yet to be made. *However,* unless earlier implementation of the migration system can be achieved, interim measures can and should be taken with those contracting activities whose contracts have high levels of unmatched disbursements associated with them. These activities should be provided with EDI capabilities without waiting for migration system deployments; some of these deployments are not scheduled until FY 1998. These activities could begin transmitting key contract data into the MOCAS data base as soon as MOCAS has the capability to receive X12 standard transmissions.

D. Recommendations

RECOMMENDATION IV-1: Assign responsibility for entry of contract data into MOCAS to the contract or contract modification originator concurrent with the implementation of contract writing systems with EDI capabilities.

Keystroke errors associated with multiple data entry has been identified as a significant contributor to the level of unmatched disbursements. Thirty years after the Military Standard Contract Administration Procedure (MILSCAP) was established to automate the flow of data between procurement and contract administration offices, less than fifty percent of the contracts required to be entered into MOCAS are transmitted via MILSCAP. The current EDI initiatives provide DoD with an opportunity to take advantage of new and better technology that will result in improved overall quality of the data base now responsible for mismatched disbursements. Source capture of key contract data with direct entry into MOCAS by EDI will eliminate unmatched disbursements caused by DFAS data entry clerks re-entering data from hard copy contracts. In addition, use of EDI will capture contract data and modifications quicker and eliminate unmatched disbursements caused by MOCAS data integrity problems.

Planned Completion Date: January, 1995 (Policy Memo); implementation dates consistent with plans for implementing EDI in contract writing systems (April 1995 for PADDS, AMIS, and Navy Systems Commands; October 1996 for the migratory system; remaining systems starting in October, 1997)
Responsible Office: Director of Defense Procurement

RECOMMENDATION IV-2: Provide Naval Sea Systems Command, Naval Air Systems Command, and Naval Space and Warfare Systems Command with an automated contract writing system capable of transmitting data in ANSI X12.850/860 formats to MOCAS.

The proposed Contract Placement migration system implementation plan does not provide the migration system to the Naval Air Systems Command (NAVAIRSYSCOM), Naval Sea Systems Command (NAVSEASYSCOM) or Naval Space and Warfare Systems Command (SPAWAR) until some time after FY 1997. Reduction/elimination of unmatched disbursements is dependent on providing contracting activities with EDI capabilities in a timely manner. These Navy System Commands account for over 95 percent (over $9 billion identified in Command UMDs Progress Summary of January 1994) of the Navy's UMD dollar value. The CIM Procurement Council should explore providing EDI capability to these Commands by earlier deployment of the migration system, providing commercial off-the-shelf contract writing software (with EDI capability), using existing legacy systems which have been upgraded with ANSI X12.850/860 capability, or entering contract data to MOCAS via on-site terminals.

Since the selection of the migration system, significant enhancements have been made to some legacy systems. Providing these legacy systems, such as ITIMP, to offices without EDI capable contract writing systems should be considered as an interim measure if the migration system cannot be provided in a timely manner to resolve the unmatched disbursement issue.

Planned Completion Date: July, 1995
Responsible Office: Director of Defense Procurement

RECOMMENDATION IV-3: Implement ANSI X12.850/860 transaction sets capability in AMIS.

The USAF Product and Test Centers will not receive the migration system until some time after FY 1996. Their current system, Acquisition Management Information System (AMIS), transmits contract data via MILSCAP to MOCAS. However, since MILSCAP does not transmit all required contract data, manual re-input of data is still required at DFAS. With no plans to replace AMIS with the migration system in the near future, Air Force Product and Test Centers will not be capable of transmitting the ANSI X12.850/860 transaction sets. Effective capture of key contract data elements, reduction of data errors, and the resultant reduction of unmatched disbursements is dependent on timely implementation of EDI between the contract writing system and MOCAS. AMIS should be provided this capability.

Planned Completion Date: July, 1995.

Responsible Office: Director of Defense Procurement
RECOMMENDATION IV-4: Implement ANSI X12.850/860 transaction sets capability in the PADDS.

The current plan for deploying the migration contract writing system with EDI capability to the Army's major weapon system contracting activities is January - September 1996. This is 9 to 17 months after MOCAS should have the capability to receive the X12 transaction sets. With the majority of the Army's unmatched disbursements emanating from contracts generated by the PADDS system, early reduction/elimination of unmatched disbursements is dependent on providing EDI to these activities. It is unlikely that the migration schedule could be accelerated to accommodate earlier replacement of PADDS. Providing the PADDS system with EDI is consistent with providing the same capability to the major weapons systems contracting activities in the Navy and Air Force. Effective capture of key contract data elements, reduction of data errors, and the resultant reduction of unmatched disbursements is dependent on timely implementation of EDI between the contract writing system and MOCAS.

Planned Completion Date: June, 1995
Responsible Office: Director of Defense Procurement

RECOMMENDATION IV-5: Develop the capability for contract writing systems to accept an automated feed of financial data from the accounting systems. This recommendation applies to: the contract writing migratory system; two legacy contract writing systems, AMIS and PADDS; and the interim contract writing system selected to support the Navy hardware systems commands, if one is implemented. (This recommendation is dependent on implementation of Recommendation VIII-8, accounting systems developing a capability for transferring fund data to contract writing systems.)

Currently, some contract writing legacy systems electronically interface with their supporting accounting systems. As an example, the Army's contract writing system (PADDS) interfaces with the accounting system through its commodity command standard system (CCSS). Maintaining accurate accounting data within the contract, as well as within the accounting records, is highly dependent on interfacing the accounting and writing systems to capture commitment and obligation accounting data. The migration contract writing system implementation plan addresses the need for the contract writing system to electronically interface with the contract administration system, however, it is silent on the need to interface with supporting accounting systems to accept automated funding data.

An interface between the contract writing migration system and MOCAS is being developed and will use the ANSI X12.850 transaction set. Creating an interface between the contract writing system and the accounting systems will be hindered, while several "interim" migratory systems have been identified, a standard (migration) accounting system has not been selected. In order for the interface to be accomplished efficiently, the number of accounting systems must be minimized and a migration system selected. While PADDS and AMIS may already have an interface with their supporting accounting systems, DFAS and DDP have to

coordinate efforts to establish an interface between the contract writing migration system and the accounting migration systems. ·

Planned Completion Date: September, 1996
Responsible Office: Director of Defense Procurement

RECOMMENDATION IV-6: Bring to closure DFARS Case 93-D016 to require each CLIN to reference a single ACRN.

Based on DoD Inspector General Audit Report Number 92-064, the Director of Defense Procurement agreed to revise instructions for establishing contract line items. In addition, the Director agreed to prescribe guidance to acquisition officials outlining their roles and responsibilities for providing information on the distribution of progress payments by contract line or subline to the disbursing officer. The proposed revisions to DFARS Subpart 204.71--Uniform Contract Line Item Numbering System, would require each CLIN to reference a single ACRN for non-R&D contracts. The revision would also provide instructions when it is necessary to fund a single contract line item with multiple ACRNs. The methodology may include establishing funding Subline Item Numbers to separately identify each ACRN. The Director of Defense Procurement is currently reviewing the proposed actions.

Planned Completion Date: April, 1995
Responsible Office: Director of Defense Procurement

RECOMMENDATION IV-7: Establish a Program Manager and support office to develop and implement a program plan for the contract writing and contract administration migratory systems.

The CIM effort, in theory, would resolve the continued investment in the multiple contract writing systems supporting DoD procurements and also make interfacing with other functional areas more economical. However, the Procurement CIM Council has neither the direct authority nor the required resources to implement the accelerated migration systems plan. If standard business systems are to be developed, there must be a clear delineation of responsibilities and an alignment of the necessary resources to reflect that delineation. The establishment of a Program Manager will provide a central point of authority and accountability for meeting program milestones. Appropriate resources should be made available, including those needed to implement the additional recommendations within this report. The Program Manager could also be responsible for other DoD CIM efforts thus assuring appropriate coordination between them.

Planned Completion Date: November, 1994
Responsible Office: Office of Under Secretary of Defense (Acquisition and Technology)

RECOMMENDATION IV-8: Standardize the format of definitization (i.e., PZ and AZ) modifications with respect to the identification of the value of the change amount and the cumulative amount. This recommendation applies to: the contract writing migration system (see corresponding Recommendation VI-2); two legacy contract writing systems, AMIS and PADDS; and the interim contract writing system selected to support the Navy hardware systems commands, if one is implemented.

Undefinitized contract actions primarily consist of letter contracts, maximum priced orders and change orders. These actions are necessary contractual arrangements used primarily when delivery schedule constraints preclude the normal lead time necessary to award a fully priced and negotiated contract. Undefinitized actions are partially funded up to a specified not-to-exceed price. The remaining funding is obligated at the time of definitization. Procuring Contracting Officers and Administrative Contracting Officers often restate the entire contract obligation data at definitization (on both the contract document and FAD sheet) instead of presenting the net change (initial ceiling price obligation minus total contract obligation) on the definitization modification and FAD sheet.

When PCOs and ACOs restate the entire contract amount on the definitization modifications and FAD sheet, the DFAS data entry clerks enter this data into the MOCAS payment system twice, once with the ceiling price obligation data and again with the total recap obligation data. This double entry of obligation data causes an inaccurate set of financial records in MOCAS which eventually result in unmatched disbursements. A standardized format for definitization modifications and FAD sheets would reduce unmatched disbursements by allowing DFAS data entry clerks to more accurately input obligation data from these documents. While Recommendation VI-2 will provide a standard modification writing system to ACOs which will address the above, PCO modifications generated from PADDS, AMIS and the Navy Systems Commands writing system must be standardized with the modifications to be generated by the ACO deployed systems.

Planned Completion Date: July, 1995 (See corresponding recommendation VI-2)
Responsible Office: Director of Defense Procurement

RECOMMENDATION IV-9: Require clear identification of CLINs as either cost type or fixed price when both are used in the same contract. This recommendation applies to: the contract writing migratory system; two legacy contract writing systems, AMIS and PADDS; and the interim contract writing system selected to support the Navy hardware systems commands, if one is implemented.

On contracts which have both cost type and fixed price type line items, DFAS payment technicians often pay on cost type line items charging the appropriations for fixed price deliverables and vice versa. This creates a problem, especially with progress payments, in MOCAS. For example, progress payments on the incorrect line item causes unmatched disbursements when there is not enough money to pay for deliverables on hardware line items

because some of it had been allocated to the cost type line item(s) on the contract. In addition, it's possible for the wrong type of money to be used on the line item.

If contracting officials identified line items as either cost type or fixed price on those contracts which include both, UMDs would be reduced. DFAS payment personnel would be able to accurately pay contract line items and subline items with the correct appropriations. While it is believed that the ACRN/CLIN/SLIN relationship initiative will resolve this, actions can be taken to assure CLINs and SLINs are easily identified as cost or fixed price when both are included in the same contract. Additionally, the type of contract is a mandatory data element (CN101) at the CLIN/SLIN level within the ANSI X12.850 (version 3050) and will be required to be in the contract if it differs from the pricing arrangement applicable to entire contract. Services should assure automated systems are generating the type of contract at the CLIN/SLIN level if different types are used within the same contract.

Planned Completion Date: July, 1995 (Policy)
Responsible Office: Director of Defense Procurement

RECOMMENDATION IV-10: Standardize the ordering and accounting for first destination transportation costs when billed by the contractor separately from the deliverable line items on a contract. This recommendation applies to: the contract writing migratory system; two legacy contract writing systems, AMIS and PADDS; and the interim contract writing system selected to support the Navy hardware systems commands, if one is implemented.

First destination transportation costs are normally paid by contractors and later billed to the Government (pre-pay and add) for hardware line item deliverables. Transportation costs should be billed to contract line items and accounting lines which are specifically established for these costs and not billed to hardware line items or accounting lines. However, UMDs are frequently created when DFAS payment technicians pay first destination transportation costs from hardware deliverable line items and not from a separate line of accounting for transportation costs. This causes unmatched disbursements when there is not enough money remaining on the hardware deliverable line items to cover their cost. The reason DFAS pays from the wrong accounting lines is that the contracts do not clearly identify separately established contract line items and accounting data. The Army and Air Force identify these costs in an easily identifiable manner while the Navy does not. A standard approach for all the services should be established to avoid confusion and misinterpretation on the part of DFAS data clerks.

Planned Completion Date: August, 1995 After review by DFAS, it was determined that the problem exists only in the Navy accounting system STARS. This information was provided to the procurement officials and they determined no acquisition procedures would be affected. This recommendation will be satisfied when STARS and FRS process transportation payment transactions as material acquisition transactions. Systems supporting Navy accounting had not

been modified to accept CPNs and were not following the MILSCAP rules. Systems changes to STARS and FRS are required to correct the problem.
Responsible Office: DFAS

V. CONTRACTORS

A. Description, Volumes, Systems, and Impact on UMDs

The contractor is an essential participant in the acquisition process. The contractor performs the work ordered under the contract, reports progress through the ACO to the PM, delivers the product or service, and invoices the paying office for work accomplished. There are over 26,000 contractors worldwide performing DoD contracts.

Defense contractors are neither the cause of UMDs nor the solution to the UMD problem. UMDs have no impact on defense contractors--the UMD issue is an internal problem for DoD. However, several current initiatives and other actions being contemplated which will help alleviate the UMD problem may effect contractors, as discussed below.

B. Current Initiatives

Contractors will benefit from current Electronic Data Interchange (EDI) and Electronic Funds Transfer (EFT) initiatives. For example, EDI offers benefits to contractors, especially those with a significant volume of contracting actions, by helping eliminate data entry errors by DFAS personnel and reduce the number of late payments. In addition, EFT will provide contractors faster and more secure delivery of their payments.

C. Discussion

One of the Working Group recommendations may be viewed as having an adverse impact on defense contractors. For example, the DFARS case referred to in Recommendation IV-6 proposes to revise DFARS language to require each contract line item number (CLIN) to reference a single accounting classification reference number (ACRN), and to also establish separate subline item numbers (SLINs) when multiple ACRNs are necessary to fund a single CLIN. The creation of additional CLIN/SLINs will make contracts more voluminous and complex and contractors may incur additional administrative costs to track the additional CLIN/SLINs. Contractors may also expend additional effort and cost when preparing and submitting invoices/requests for payment (DD 250s) which include additional CLIN/SLINs.

UMDs often result from payments for CLINs being made on the wrong ACRN, which may occur for a variety of reasons. The proliferation of CLIN/ACRNs is a major contributing factor to the problem of UMDs. The number of subdivisions of funds (ACRNs) that must be accounted for appears at times to be excessive and may not be essential for program management purposes. As the number of CLIN/ACRNs increase, the greater the possibility that data entry and other errors will occur.

Accounting for funds at the CLIN/ACRN level of detail appears to conflict with current OSD acquisition reform initiatives to streamline and simplify the procurement process, and with

the goal of the recent National Performance Review (NPR) which is to create a government that is streamlined, works better, and costs less. Additionally, the NPR directed OMB, departments, and agencies to <u>minimize</u> budget restrictions such as apportionments and allotments. Accordingly, the DoD Comptroller should consider reducing the number of funding subdivisions to the minimum number that are necessary to properly comply with Congressional mandates.

VI. CONTRACT ADMINISTRATION

A. Description, Functions, Volumes, Systems and Impact on UMDs

Although Contract Administration as a term encompasses some pre-contract award functions (such as pre-award survey of potential contractors' capabilities), it refers primarily to post-award actions that protect the Government's interests during contract performance. Contract Administration includes such functions as quality assurance, transportation and packaging, price and cost analysis, production surveillance, and monitoring of special contract terms and provisions.

The Defense Contract Management Command (DCMC) is DoD's primary Contract Administration provider. DCMC operates worldwide, supplying Contract Administration to the DoD Components, the National Aeronautics and Space Administration, other Federal agencies, and foreign governments and international organizations. Procuring Contracting Officers typically delegate Contract Administration to one of DCMC's Contract Administration Offices (CAOs) when contracts require delivery or supply of centrally managed military- or agency-unique items or services.

At the end of FY 1993, DCMC's 18,000 personnel were administering over 400,000 contracts with a face value of over $850 billion placed with over 26,000 contractors worldwide. The contracts ranged in size from small purchase orders (under $25,000), which are typically completed within a few months, to multi-million dollar weapon systems development and production contracts that take years to complete.

DCMC consists of a headquarters office, located at Cameron Station in Alexandria, Virginia; six intermediate "district" headquarters - one covering DCMC's international operations, the other five covering Continental United States (CONUS) operations; 41 Defense Contract Management Area Offices, 63 Defense Plant Representative Offices, and 19 Defense Contract Management Offices handling CONUS operations; and offices in Canada, the United Kingdom, Puerto Rico, Belgium, Germany, Israel, Turkey, Saudi Arabia, Korea, Japan, Malaysia and Australia handling international operations. As a result of a 1993 Base Realignment and Closing Commission recommendation, the district offices in Chicago and Philadelphia were closed in June 1994, leaving three district offices in Atlanta, Boston, and Los Angeles to cover CONUS operations.

The vast majority of the contracts contributing to the UMD problem are administered by DCMC.

The central Contract Administration Management Information System used by DCMC is MOCAS. The system's ownership is shared between DCMC and DFAS because MOCAS not only maintains information on contract delivery schedules, contract quality requirements, shipments, shipment destinations, and forecasts of actual versus scheduled deliveries, it also computes contractor entitlements, makes disbursements, and reports payment and "due-in" data to acquisition, funding and receiving activities.

However, MOCAS's interfaces with other systems have not been substantially updated since MOCAS's inception (even though MOCAS itself has been, many times). Those interfaces, in fact, rely upon the 1960s vintage Military Standard Contract Administration Procedures (MILSCAP) protocols. (As an indication of its age, MILSCAP is designed around 80 column keypunch card data formats, and actual transmission of data is done tape-to-tape, rather than from one central processing unit directly to another). Many of DoD's legacy procurement systems are not capable of using MILSCAP, and the same is true of nearly all of DoD's accounting systems. Even where procurement systems are MILSCAP-capable, manual input of data by clerks at DFAS's Columbus Center from hard copy contracts and contract modifications is still often required to complete MOCAS contract records so that the system can make accurate payments.

B. Current Initiatives

1. Electronic Data Interchange (EDI)

Information Resource Managers (IRMs) within DoD have for many years been interested in updating protocols for inter-systems communications within the Department, but the practical challenges of developing a set of protocols acceptable to all DoD users, and the daunting investments that would have been required to do so, "acted" to produce more hopes than results. However, the advent of the ANSI X12 transaction sets, created mostly at private expense, was quickly recognized by DoD's IRMs as offering a potential low cost solution for not only improving communications within the Department, but also making possible true EC/EDI with commercial entities. As a result, DoD has become very active in helping to refine and expand the ANSI X12 transaction sets; and those sets - particularly, X12.860 and Version 3050 of X12.850, which is scheduled for release in July 1995 - have become central to DoD's strategy to overcoming Contract Administration data communications problems, as will be seen below.

2. Migration Systems

Based on the Procurement CIM Council's review of the two contract administrations systems (MOCAS and AMIS), MOCAS was selected as the DoD Contract Administration migration system. The DLA Systems Automation Center (DSAC) is under contract now to enhance MOCAS with an ANSI X12.850 (Version 3050) and X12.860 interfaces. This will allow complete data on contracts written with DPACS to flow directly into MOCAS without the possibility of transcription errors by the clerks at DFAS's Columbus Center. The new ANSI X12.850 (Version 3050) interface will also allow MOCAS to accept contract data from other sources as well, including legacy systems already equipped with earlier versions of X12.850, and legacy systems that might be later modified or upgraded with Version 3050.

The enhanced Version 3050 interfaces are scheduled for initial fielding in both DPACS and MOCAS in June 1995.

3. MOCAS Transition to Integrated Contract Administration Services (ICAS)

The "target" follow-on system for MOCAS is ICAS. ICAS is intended to take full advantage of 1990s software and hardware technologies - most particularly, relational data base technologies. ICAS will improve the efficiency of management of data on contracts and contractors, automate many of the forms used in Contract Administration, incorporate "expert system" decision aids, take advantage of distributed processing technologies, and make possible true EC/EDI with contractors for Contract Administration purposes. ICAS will also be more "user friendly" than MOCAS. ICAS is scheduled to be incrementally implemented (by ICAS modules replacing the equivalent MOCAS modules) in the time period 1996 to 1998.

C. Discussion

The existing MOCAS-MILSCAP environment helps cause the need for multiple manual entries of the same data into various systems (contract writing, MOCAS, material management, and accounting systems) so that those systems can "communicate" with each other. Not only does that make for a very inefficient use of labor, it also increases the likelihood of transcription ("keystroke") errors, which can lead to the multiple systems having different versions of what is supposed to be the same information - which, of course, increases the likelihood of UMDs.

The ANSI X12.850 (Version 3050) and X12.860 enhancements planned for DPACS and MOCAS will provide the basic means to begin eliminating manual input of MOCAS data, and reduce mismatches of contract and payment data between procurement activities, DCMC, and DFAS. However, as noted earlier in the section on Contract Placement, the current schedule for fielding DPACS at the ICPs stretches well into 1996, and the schedule for fielding DPACS in the system/test acquisition centers - the buying activities that account for most of the contracts with UMD problems - has not yet been set at all, except in terms of "after FY 1997."

However, many buying activities' legacy contract writing systems are already equipped with X12.860 interfaces and at least earlier versions of X12.850. Accordingly, there would be immediate benefits from upgrading MOCAS with X12 interfaces because, well in advance of scheduled DPACS implementation (where it has even been scheduled at all), many buying activities could begin transmitting contract data directly into MOCAS, with all the improvements in data and disbursements accuracy that EDI promises to bring.

Two problems would still remain. First, there is currently no schedule for providing DCMC's Administrative Contracting Officers (ACOs) with an EDI-capable automated contract modification writing system. Untimely receipt or inaccurate input of contract modifications by DFAS's Columbus Center can result in delays in payments (which may result in the Government incurring Prompt Payment Act penalties), incorrect payment amounts, incorrect accounting, and, of course, UMDs. The problems caused by late or inaccurate input of modifications can be just as severe as those caused by incorrect data entry of the contracts themselves.

DLA and the Procurement CIM Council recognize that ACOs should have an EDI-capable modification writing system. An automated contract modification writing system is, in fact, an integral part of the Procurement CIM's migration/target system development. The automated system will be integrated with a shared data base, which will help solve accounting data discrepancies and unmatched disbursements problems.

The second problem that would remain is that most DoD accounting systems are not equipped with EDI interfaces; but that issue is addressed in the Section VIII of this report.

D. Recommendations

RECOMMENDATION VI-1: Accelerate the June 1995 enhancement of MOCAS with EDI ANSI X12.850/860 transaction set version 3050.

The enhancement of MOCAS with EDI ANSI X12.850 (Version 3050) will not only pay off in terms of increased data accuracy when the migration to DPACS as the standard contract writing system has been completed, it will also bring immediate benefit by allowing many buying activities with EDI-capable legacy contract writing systems to begin inputting data on their contracts directly into MOCAS. That will reduce the number of DFAS Columbus Center transcription errors, and increase the accuracy of contract and disbursements data.

(Note: At a May 3,1994, briefing for the Acquisition and Financial Management Panel, the Chairman of the Procurement Corporate Information Management Council indicated that MOCAS enhancement with X12.850 (Version 3050) has, in fact, been accelerated.)

Planned Completion Date: June, 1995
Responsible Office: Director of Defense Procurement

RECOMMENDATION VI-2: Provide an EDI-capable automated contract modification writing system to all DCMC ACOs.

An EDI-capable contract modification writing system will allow direct input of contract modification data directly into the enhanced MOCAS, reducing the number of transcription errors and increasing the accuracy of contract and disbursements data. DLA and the Procurement CIM Council are working together to provide such a system to ACOs.

Planned Completion Date: Nov, 1995
Responsible Office: Director of Defense Procurement and DCMC

VII. CONTRACT PAYMENT OFFICE

A. Description

The mission of the contract payment office is to make payments in accordance with legislative, regulatory, and contractual requirements. All payments issued must be reported both to the US Treasury and the applicable funding activity. For the purpose of this report contracts consist of two categories: DCMC administered contracts and non-DCMC administered contracts. As explained in the introduction, this report focuses on the contracts administered by DCMC.

Contracts administered by DCMC require an Administrative Contracting Officer (ACO) who is separate from the Procuring Contracting Officer (PCO). The PCO awards the contract while the ACO performs the contract administration functions either for a geographical region or at the contract plant. DCMC administered contracts are paid centrally by DFAS-Columbus. The ACO belongs to DCMC and the PCO belongs to the Service component.

On the other hand, non-DCMC administered contracts are awarded, administered, and paid locally. Various contract payment systems, located at numerous offices, are used to pay the contracts which are not administered by DCMC. The systems being used include the Computerized Accounts Payable System (CAPS), the Integrated Accounts Payable System (IAPS), and the Standard Accounting and Reporting System (STARS).

DFAS-CO processed in FY 1993 approximately 1.2 million contractor invoices valued at $66 billion per year involving 385,000 contracts. These payments are paid by the MOCAS system in Columbus, Ohio. The payment system inputs and outputs are simplified in Figure VII-1.

The sources of information for MOCAS are the contracts and contract modifications (PCOs and ACOs); requests for progress payments (contractors); Materiel Inspection and Receiving Reports (DD 250s), (ACOs and other DoD offices); and contractor invoices (contractors). The PCOs submit contract data via MILSCAP and mail, or just mail to DFAS-CO. The ACOs mail contract modifications to DFAS Columbus. As noted in the Contract Placement section, less than 50% of the contracts are provided to DFAS-CO in the MILSCAP format. Also, DFAS-CO is finding that 30% of the incoming MILSCAP records contain errors. This information establishes the base for payments to the contractors by contract number, contract line item number/subline item number, and ACRN.

The MOCAS system contains a feature, referred to as Automated Payment of Invoices (API), that automatically attempt to match the progress payment request and invoice information to the cited contract and the required receipt/acceptance certification.

The government inspection and acceptance certification, in the form of one or more DD 250s, should have previously been entered. When the invoice data matches the contract and receipt/acceptance data, the MOCAS allocate the payable amount to the appropriate

Figure VII-1. MOCAS Payment System Inputs and Outputs
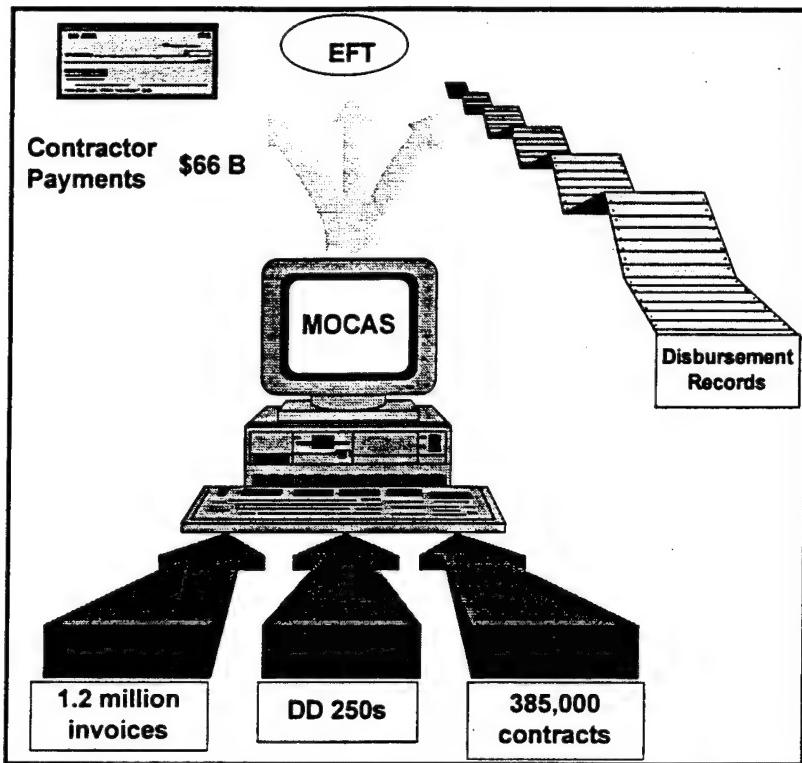
ACRNs and schedule the payment. No manual calculations or allocations are required. Currently, however, only 50% of the progress payment requests and invoices processed by DFAS-CO pass the edits and validation in the API routines. There are two general categories of payment requests that will be diverted for manual payment processing. The first group consists of payment requests requiring reviews which cannot be performed by the current API routines. An example of this would be payment requests for contracts involving special tooling or test equipment. The second group consists of payment requests which are rejected because they fail a required edit or validation. Reasons for rejects include such conditions as the contract or receipt certification not being entered into MOCAS, or the cited quantity or cost exceeding authorized values.

Progress payments are authorized in many large contracts. The contractors submit progress payment requests, based on costs incurred and the limits in the contracts, to the ACOs for review and approval. In many cases, the contractors are authorized, by the ACOs, to submit progress payment requests directly to DFAS-CO. At DFAS-CO the progress payment requests are entered into the MOCAS which validate during the API routines the required computations and prorate the authorized amount across the available ACRNs.

When a progress payment request does not pass the validations, or cannot be fully allocated to the available ACRNs, it is rejected from the API process. Rejected progress payment requests are reviewed and the cause of the rejection identified. When the problem is not the fault of the contractor, DFAS-CO must manually enter the ACRN allocation and the corrected information.

At the time contract performance occurs, e.g., delivery of the goods or services ordered, the contractor submits a DD 250 to the government office performing the acceptance function. That office certifies receipt and acceptance and forwards the DD 250 to DFAS-CO, where it is entered into MOCAS.

Figure VII-2 depicts a simplified view of the flow of invoice data. The term invoice is used here in the broadest terms to include all types of payment requests including contractor invoices, SF 1443 Contractor's Request for Progress Payment, Cost Vouchers, and DD 250s used as invoices. The flow begins with the submission of the payment request (1) by the contractor to the office designated in the contract. Depending on the type of payment request the ACO and the Defense Contract Audit Agency may be required to review and approve the request before it can be processed by DFAS-CO. Payment requests are then manually entered into the (2) MOCAS. The MOCAS API routines compare the items and quantities billed to the contract and the DD 250s. If the payment request passes all of the required edits and validations, the MOCAS allocates the payable amount to the applicable ACRN(s) and (3) forwards the payment to the cash management process. Payment requests that involve exception conditions not covered by API or error conditions are (4) rejected for manual processing.

Figure VII-2. Invoice Data Flow for DCMC Administered Contracts
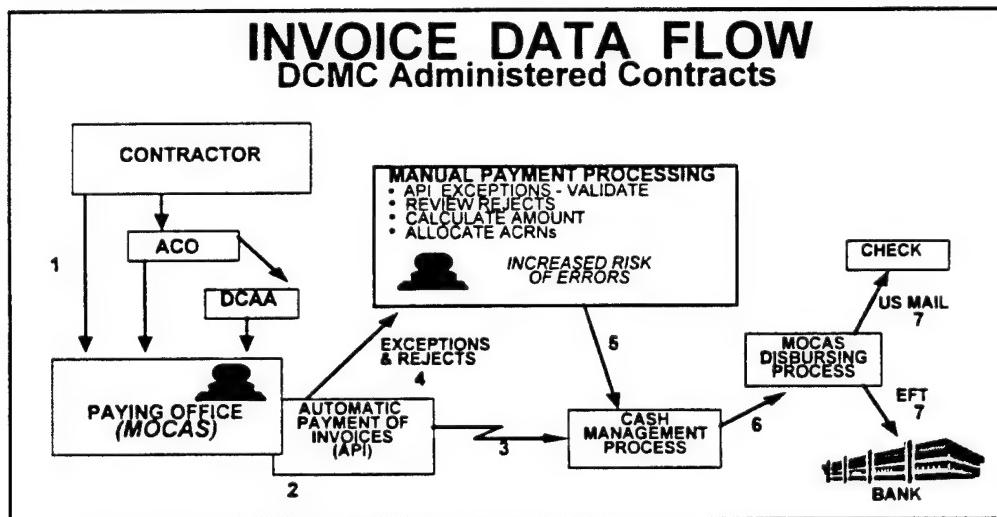
Manual payment request processing requires a review of the hard copy contract which must be retrieved from a central files area, computation and validation of the payable amount and allocation to the appropriate ACRN(s). In some cases the DFAS-CO personnel must contact the ACO or receiving activity to obtain copies of contract modifications or receipt documentation. When the DFAS-CO personnel have completed the required actions and the request can be processed for payment, the corrected amounts and ACRN assignments are manually entered and the request (5) is forwarded to the cash management process for payment in accordance with Prompt Payment Act requirements. They are then (6) forwarded to the MOCAS disbursing process for payment via either (7) a US Treasury check or Electronic Funds Transfer (EFT).

DFAS-CO provides Navy and Air Force expenditures to the DFAS Centers who then distribute them to the accounting systems operated by DFAS. DFAS-CO forwards Army expenditures directly to the appropriate DFAS accounting offices. The expenditure information is processed in these accounting systems to produce expenditure and status of obligation reports. Since each of the Services have different coding structures, terminology, funds distribution methods and systems, the procedures for sending expenditure data to the various accounting systems are different. Additionally, following the end of each month DFAS-CO provides to the DFAS Centers expenditure information that the Centers consolidate with reports from other Disbursing Offices and report to the US Treasury.

There is currently little automation of the incoming data in the payment process. As previously discussed only about 50 % of the contract data and modification data is received in the MILSCAP format. Likewise, the majority of the DD 250s acknowledging receipt, the commercial invoices, the cost type billings, and the progress payment requests are received as paper documents and must be manually entered into MOCAS. The heavy reliance on paper documents creates the opportunity for documents to be lost or delayed, resulting in both additional manual efforts and late payment interest costs. In addition, simple data entry errors can result in either a payment rejected for manual processing or in some cases a payment charged to the incorrect ACRN or CLIN/SLIN.

The API routines described above will reject invoices for manual processing when the items billed do not match the contract or receiving report. The invoice itself may be correct but the receiving report has not been received or entered, or the contract or modification has not been entered into MOCAS. These types of rejections are appropriate and represent proper operation of necessary internal controls. Nevertheless, they increase the percentage of invoices requiring manual processing. To the extent that entry of receipt data can be automated at source, timing delays and data entry errors will be reduced, thereby increasing the percentage of transactions that are processed in the API mode.

In addition, invoices will be rejected when certain conditions are present that cannot be handled by MOCAS. An example of this is the case of contracts containing special tooling and test equipment provisions. In these contracts, prior to the final payment, a review of the disposition of the special tooling and test equipment is required. The MOCAS diverts all invoices under these contracts for manual processing, not just the final payment.

The MOCAS payment process is limited in its ability to process contracts containing both material and service type deliverables. MOCAS applies the contract type coding to the entire contract rather than to each line item. This limitation has a significant effect in the case of progress payments. If the automated process is applied, the progress payments will be allocated on a proportional basis to all of the ACRNs with unexpended balances. This can result in progress payments that should apply only to items being manufactured, being allocated to service line items as well. The alternative is to code the contract for manual processing. In this case, the DFAS-CO personnel must manually review the contract each time a payment (progress, delivery, or service) is processed and allocate the progress payment amount to only the ACRNs funding the product line items. Both of these cases increase the risk of UMDs or NULOs because in either case the allocation can appear to the program office to be inappropriate.

In addition to the problems caused by repetitive manual entry of data into different systems, the separation of the accounting and paying offices and data bases has contributed to the UMD and NULO problem in another way. Either office can make corrections or adjustments to their records without notifying all of the other users of that data. For example, if a program office feels a progress payment has been allocated to the wrong accounting lines, they may request that the accounting office adjust the payment allocation. In many cases, when the accounting offices have made these adjustments, they have not informed DFAS-CO. The accounting systems now show different balances than the MOCAS. As DFAS-CO continues to process payments, the resulting allocations will exceed the amounts available in the accounting systems creating NULOs. This situation has also occurred when DFAS-CO has adjusted accounting line allocations in MOCAS without notifying the accounting offices.

Another issue concerning the MOCAS progress payment proration procedures was raised by the DoDIG in an audit (DoDIG Audit Report Number 92-064) of the Air Force Titan IV Program. In the report, the IG found the proration procedures to be inappropriate because the selection of ACRNs and therefore, the appropriations charged were not based on the actual work performed. As part of the resulting mediation agreement between the DoDIG, the DoD Comptroller and the Director of Defense Procurement, the Director of Defense Procurement agreed to prescribe guidance, including DFARS changes as appropriate, to acquisition officials outlining their roles and responsibilities for providing information on the distribution of progress payments by contract line or subline to the disbursing officer as necessary to permit compliance with the revised accounting guidance. While the allocation procedure used should not of itself cause UMDs, the resolution of the pending DFARS case may effect contract structure and thereby, the ANSI X12.850/860 transaction sets.

Accordingly, an interagency working group was formed to review the allocation of progress payments with the goal of developing an ACO allocation or distribution formula for contractor progress payment costs at the CLIN/SLIN level. In its report dated March 7, 1994, the working group unanimously agreed that application of an ACO allocation formula would not result in more accurate data and that it would create an overwhelming administrative burden for DCMC, DFAS, and the Defense Accounting Offices (DAOs). The working group anticipated significant costs to

implement and operate the system. The interagency working group concluded that the only way to accurately allocate contractor progress payment costs to the CLIN/SLIN level is to require contractors to provide the information. The recommended solution is not feasible because it would also cause contractors to incur additional administrative costs which would result in increased costs to DoD contracts. Nevertheless, the Acquisition and Financial Management Working Group feels strongly that a method must be developed that will allow progress payments to be allocated to, and posted to, the correct accounting lines. The Director of Defense Procurement is currently reviewing the interagency working group's recommendations and considering alternatives.

The Contract Entitlement Directorate (CED) of DFAS-CO must maintain contract files for approximately 385,000 active contracts. Each of these contracts must be entered into MOCAS and kept up to date as modifications, payments, and other actions occur. Many of these contracts are high dollar value, have been modified numerous times and have been active over several years, making reconciliation a tedious and time consuming process. DFAS-CO has applied substantial resources to the reconciliation of out-of-balance contracts, including using the services of a commercial accounting firm to perform a portion of the reconciliations. However, at least, 6,000 contracts remain to be reconciled and, to the extent payments are still being processed, errors can easily occur.

B. Initiatives

1. DFAS and the Defense Systems Automation Center (DSAC) are in the process of implementing use of the EDI ANSI X12.810 Commercial Invoice transaction set. This will permit contractors to submit their invoices electronically. This use of EDI eliminates manual input of the invoice into MOCAS, reducing the possibility of errors. Implementation is scheduled for the 4th Quarter of FY 1995 and will begin with a limited number of contractors. The program will be expanded as quickly as possible based on the experience gained in the initial operations.

2. DCMC and DSAC are developing the capability to use EDI for Progress Payment Requests and Material Inspection and Receiving Reports (DD 250s). This effort is scheduled to begin operation in the 4th Quarter of FY 1995. The routing for these two transaction sets differs from the commercial invoice because they must be reviewed and approved by the ACO before being forwarded to MOCAS.

3. DFAS-CO has expended considerable efforts to reconcile out-of-balance contracts. In conjunction with the ACOs and the accounting offices, they have been developing improved methods of coordinating reconciliation and adjustment actions to reduce duplicate efforts and counterproductive adjustment actions.

4. DFAS-CO and DSAC are developing an on-line capability for the payment clerks to view narrative payment instructions. This will reduce the need for the payment clerks to review the hard copy contract file for non-standard payment provisions.

5. DFAS-CO is sponsoring changes to modernize the progress payment process which are scheduled to be implemented in December 1995.

C. Discussion

The large volume of transactions and the reliance on paper documents argue strongly that increased automation efforts be given a very high priority. Two areas bear particular attention. First, the amount of manual data entry in the payment area must be reduced. DFAS and DCMC are pursuing EDI in this area and those efforts must be given a high priority. High volume use of EDI for DD 250s, Progress Payment Requests, invoices and eventually cost type vouchers, will reduce workloads and increase data accuracy. Second, the percentage of payment requiring manual intervention must be reduced. Data entry improvements will help here but other improvements will be required. The specific barriers to automatic processing need to be identified and analyzed to determine the types of changes needed to facilitate automated processing.

Contract reconciliation is another area which must be given high priority. A comprehensive plan of action and milestones should be developed to ensure that adequate resources and management attention are applied. Specific procedures should be developed that identify the requirements for terminating reconciliation efforts and the subsequent actions to be taken.

MOCAS manual payment process needs to be strengthened particularly with respect to the liquidation of outstanding progress payments. When delivery payments are processed without applying the appropriate progress payment recoupments, the contractor is overpaid.

MOCAS needs to be modified to identify CLIN/SLINs by contract type. This will allow the progress payment programs to select only the applicable CLINs when applying progress payment recoupments.

D. Recommendations

RECOMMENDATION VII-1: Limit the use of MOCAS internal unvouchered accounting line adjustments (9 code) to cases where DFAS-CO has been provided evidence that another office has processed a vouchered disbursement adjustment . (See Recommendation V11-14)

In MOCAS, accounting adjustments can be accomplished by use of a 9 transaction code. This type of accounting adjustment affects the MOCAS records without generating disbursement adjustments through the official disbursement reporting process of the Department. These adjustments are not officially reported to the accounting stations because they represent internal MOCAS adjustments. If payment corrections to reallocate previous payments to different ACRNs are processed using the 9 code transaction they will normally result, at some point, in an unmatched disbursement or NULO at the accountable station.

Adjustments by DFAS-CO personnel of previously paid and reported amounts must be processed as vouchered transactions so that both the accounting office(s) and the US Treasury are notified of the changes.

Planned Completion Date: October, 1995
Responsible Office: DFAS

RECOMMENDATION VII-2: Validate proposed payments against the applicable detail obligation(s) in the official accounting system prior to payment.

Payments processed by DFAS-CO are not verified with the official accounting records before payment is made. Disbursements are posted to the accounting records after the payment is accomplished. This process results in many instances of disbursements not matching to the original obligation due to the two data bases (MOCAS and the applicable accounting system) not being in agreement. This recommendation proposes to use the accounting data base records for the official prepayment validation. The risk associated with this recommendation is exposure to more prompt payment penalties.

Planned Completion Date: December, 1997
Responsible Office: DFAS

RECOMMENDATION VII-3: Revise MOCAS to recognize the difference between cost and fixed price CLINs within a contract in the payment processes. (See corresponding recommendation IV-9)

Cost reimbursable type contracts provide for payment of allowable cost incurred in the performance of a contract. Fixed price contracts have a deliverable requirement status and firm price for payment. Cost type vouchers (contractors invoice for cost reimbursable type contracts) are submitted through the ACO/DCAA for review and approval. DCAA reviews and approves interim vouchers and forwards to DFAS-CO for payment. If all records match, the payment system prorates the vouchers over all ACRNs and issues a check to the contractor. For contracts that contain both cost and fixed price CLINs, the API system prorates vouchers against all ACRNs. This process creates problems matching payments to obligations in relation to contract execution.

Planned Completion Date: July, 1997
Responsible Office: DFAS

RECOMMENDATION VII-4: Revise the automated process for the assignment of ACRNs on cost type payments to require input of CLIN/SLIN amounts.

Cost reimbursable and cost plus fixed fee type contracts provide for payment of allowable cost and fixed fee incurred in the performance of a contract. Cost type vouchers are submitted through the ACO and/or DCAA for review and approval before payment. Current payments for cost reimbursable and cost plus fixed fee type contracts do not require proof of delivery and no DD 250 is required by the contractor so the specific items are not picked up in the MOCAS system. However, on a fixed price contract, the supplies or services must be received/performed and accepted which creates an accounts payable. Currently, DFAS-CO prorates cost reimbursable and cost plus fixed fee type contract vouchers over all contract ACRNs and not specific items and/or appropriations.

Planned Completion Date: July, 1998
Responsible Office: DFAS

RECOMMENDATION VII-5: Revise progress payment process to pay based on CLIN/SLIN.

Progress payments represent requests for financing payments from the contractor for costs incurred in executing the contract. This payment is not for services or deliverable items being delivered to the Government, but for costs incurred. Currently, when the contractor requests payment there is no distinction made as to what CLIN/SLIN the request applies to, forcing the accounting technician/voucher examiner to prorate. Ultimately, to properly reflect contractors liability, progress payments are recouped and charged to the appropriate CLIN/SLIN based upon subsequent delivery of services or material to the Government. This recommendation requires that information be provided on CLIN/SLIN allocations prior to submission of progress payment requests to the paying office. The adoption of this recommendation is dependent upon the resolution of DFARS Case 93-D016, the CLIN/SLIN relationship to one ACRN.

Planned Completion Date: August, 1997.
Responsible Office: DFAS

RECOMMENDATION VII-6: Revise automation of the progress payment recoupment process in MOCAS.

The recoupment is basically an accounting adjustment from a temporary disbursement account to the proper account where the obligation is recorded. Within MOCAS, progress payments and the subsequent recoupment are automated as long as there is no problem. Whenever payments are made outside this automated process a manual process is used. As deliveries are made, outstanding progress payment balances are sometimes overlooked and, therefore, not recouped, leading to NULOs and unmatched disbursements. This recommendation would require all progress payment recoupments to be automated and to identify all progress payments made. The time frame to implement would be 1-3 years with an impact on unmatched disbursements within a year of implementation.

Planned Completion Date: January, 1997
Responsible Office: DFAS

RECOMMENDATION VII-7: Perform a review of the MOCAS payment logic to identify all barriers to automatic payment processing and take action to reduce the amount of manual processing required.

MOCAS procedures and practices prevent automatic payment under certain conditions. DFAS-CO needs to determine the validity of conditions preventing automatic payment and eliminate those invalid conditions to take maximum advantage of the MOCAS automatic payment process. An example is to design an automated progress payment recoupment module in MOCAS that would be invoked after a delivery payment request is manually validated and allocated to the correct ACRNs.

Planned Completion Date: April, 1995
Responsible Office: DFAS

RECOMMENDATION VII-8: Implement the routing procedures and instructions for transmitting EDI transaction sets within DoD.

EDI procedures and control mechanisms need to be established for transmitting EDI transaction sets between activities within the Department. This report recommends the use of EDI (the contract and contract modification transaction sets) to update both MOCAS and the accounting systems. Procedures must be in place to ensure that the transaction sets are routed to and received by the appropriate systems. If the transaction sets are not routed correctly the problem of inconsistent data in accounting and payment systems will not be resolved.

Planned Completion Date: April, 1995
Responsible Offices: DISA, DFAS, and DCMC

RECOMMENDATION VII-9: Develop and begin executing a plan for the reconciliation of existing backlog of out-of-balance contracts and ACRNs in MOCAS.

There are a large number of contracts in the MOCAS data base which are not in balance with the hard copy contracts. DFAS-CO inherited a large number of contracts from the former Defense Contract Administration Services Regions (DCASRs) which were not reconciled at the time of transfer. As of December 1993, the GAO reported there were over 6,000 contracts which needed to be reconciled. The actual number requiring reconciliation is not known because, in some cases, the out-of-balance condition is not evident until an accounting office reports a problem matching a disbursement to the proper obligation. When contracts are not in balance, payments may be made that are not based on the true

status of the contract, resulting in unmatched disbursements, or NULO at the accountable stations. The reconciliation process must include reconciliation at the payment station as well as the accountable station so that all records are in agreement. Until the out-of-balance contracts are reconciled and the MOCAS records adjusted, the payment process will continue to generate unmatched disbursements. If needed, consideration should be given to augmenting the CED staffing at DFAS-Columbus until the number of out-of-balance contracts is reduced to a manageable level.

Planned Completion Date: December, 1995
Responsible Office: DFAS

RECOMMENDATION VII-10: Develop specific criteria to be used to determine when contract reconciliation efforts can be terminated due to lack of information.

In some cases the records necessary to fully reconcile out-of-balance contracts may no longer exist. DFAS should develop criteria for use by all of the Centers for determining the minimum efforts required before reconciliation attempts for a specific contract or transaction can be terminated.

Planned Completion Date: June, 1995
Responsible Office: DFAS

RECOMMENDATION VII-11: Ensure that progress payment requests include an allocation of the net progress payment amount to the CLIN/SLIN level.

Based on the mediation agreement resulting from DoDIG Audit Report Number 92-064 (Titan IV Program), the Director of Defense Procurement agreed to prescribe guidance, including DFARS changes as appropriate, to acquisition officials outlining their roles and responsibilities for providing information on the distribution of progress payments by contract line or subline to the disbursing officer as necessary to permit compliance with the revised accounting guidance. Implementation of this recommendation is dependent on the implementation date of changes to MOCAS payment processes (see Recommendation VII-5).

Planned Completion Date: November, 1995 (or implementation date of Recommendation VII-5)
Responsible Office: Director of Defense Procurement

RECOMMENDATION VII-12: Ensure that cost type billings include an allocation of the net billing amount to the CLIN/SLIN level.

Current procurement regulations do not require contractors to identify incurred costs by CLIN level of detail on billings submitted under cost reimbursable type contracts. Some contractors, at the request of the PCO, provide such information. In line with the mediation agreement reached on the DoDIG Audit Report Number 92-064 (Titan IV Program), DFAS offices are required to allocate payment to the various ACRNs on the basis of the work performed. In order to comply with this requirement, the payment request must be accompanied by a breakdown of the billed amount to the appropriate CLIN/SLIN(s). This is a similar situation to the progress payment allocation issue addressed in Recommendation VII - 11. Procedures similar to those adopted to satisfy Recommendation VII - 11 appear to be needed in this case. Implementation of this recommendation is dependent on the implementation date of changes to the MOCAS payment processes (see Recommendation VII-4).

Planned Completion Date: November, 1995 (or implementation date of recommendation VII-4).
Responsible Office: Director of Defense Procurement

RECOMMENDATION VII-13: Develop adjustment procedures, including the associated accounting treatment, to resolve reconciliation issues involving canceled appropriations.

DFAS personnel are in need of guidance concerning the adjustment procedures to be used when reconciliation efforts identify errors affecting canceled appropriations. These procedures must address actions to be taken by the Components, DFAS Centers, and DAOs.

Planned Completion Date: June, 1995
Responsible Office: DFAS

RECOMMENDATION VII-14: Develop procedures to insure that both the Paying Office and the applicable Accounting Office are notified whenever payment corrections or adjustments are processed. (See recommendation VII-1)

The work being done under the DFAS Undistributed Disbursement Project has revealed that DFAS-CO has processed payment adjustments that in some cases were not reported to the applicable accounting office. Similarly, some accounting offices have processed payment adjustments against DFAS-CO payments without notifying DFAS-CO. In both of these cases, these actions caused the affected contract payment records to be out-of-balance between DFAS-CO and the accounting offices systems.

Planned Completion Date: October, 1995
Responsible Office: DFAS

VIII. ACCOUNTING OFFICE

A. Description, Volumes, Systems, and Impact on UMDs

Accounting office as used in this report includes both the commitment and obligation input functions of the fund administrators as well as the recording and reporting functions of the DFAS Centers and their Defense Accounting Offices (DAOs). The accounting office functions include recording and classifying detail transactions such as commitments, obligations, expenditures, and collections. The accounting office also maintain general ledger balances and provide fund status, cost, and financial statement reports to support various management levels. As previously mentioned, the Working Group was tasked to focus on unmatched contract disbursements. This focus became concentrated on the procurement and research and development appropriations because the preponderance of the dollar value of unmatched disbursements is in those accounts. DFAS operates *258 accounting offices* supported by *161 accounting systems*. Table VIII-1 identifies the systems reporting the preponderance of the unmatched contract disbursement dollar value.

Table VIII-1. Major Investment Funds Accounting Systems

SYSTEM	APPROPRIATION	ACTIVITY
DFAS-IN (ARMY)		
SAPAS	Procurement	AMC Major Subordinate Commands
SOMARDS	R&D, O&M	AMC Major Subordinate Commands
DFAS-CL (NAVY)		
STARS	Procurement, R&D, O&M	Hardware Systems Commands
DFAS-DE (AIR FORCE)		
CPAS	Procurement	AFMC Air Logistics Centers
GAFS (BQ)*	Procurement, R&D, O&M	AFMC Product and Test Centers
DFAS-KC (USMC)		
HAS**	Procurement, R&D	Marine Systems Command & Marine Logistics Base;
SABRS	Procurement, O&M	Marine Systems Command & Marine Logistic Base

*R&D to be phased into CPAS
**R&D to be phased into SABRS

The accounting process for contracting begins with the certification of funds availability and proceeds with the recording of the obligations when the contract is issued or modified. The cycle continues with the recording of accounts payable and disbursements based on delivery and payment. Status reports are prepared in various formats and media depending on the specific accounting system. While each accounting office accomplishes the same mission, they are supported by "Service unique" systems, data structures, and procedures. The accounting offices receive transaction data from various sources (e.g. the PCO/ACO, DFAS-CO, and other DFAS Centers). While the levels of automation vary, the preponderance of the investment funds obligation transactions are being manually entered

from paper documents. Due to the separation of the accounting and paying offices, accounts payable transactions are generally not recorded in the accounting systems.

Figure VIII-1. Current Obligation Data Flow

Contract Obligation Data Flow
DCMC Administered Contracts
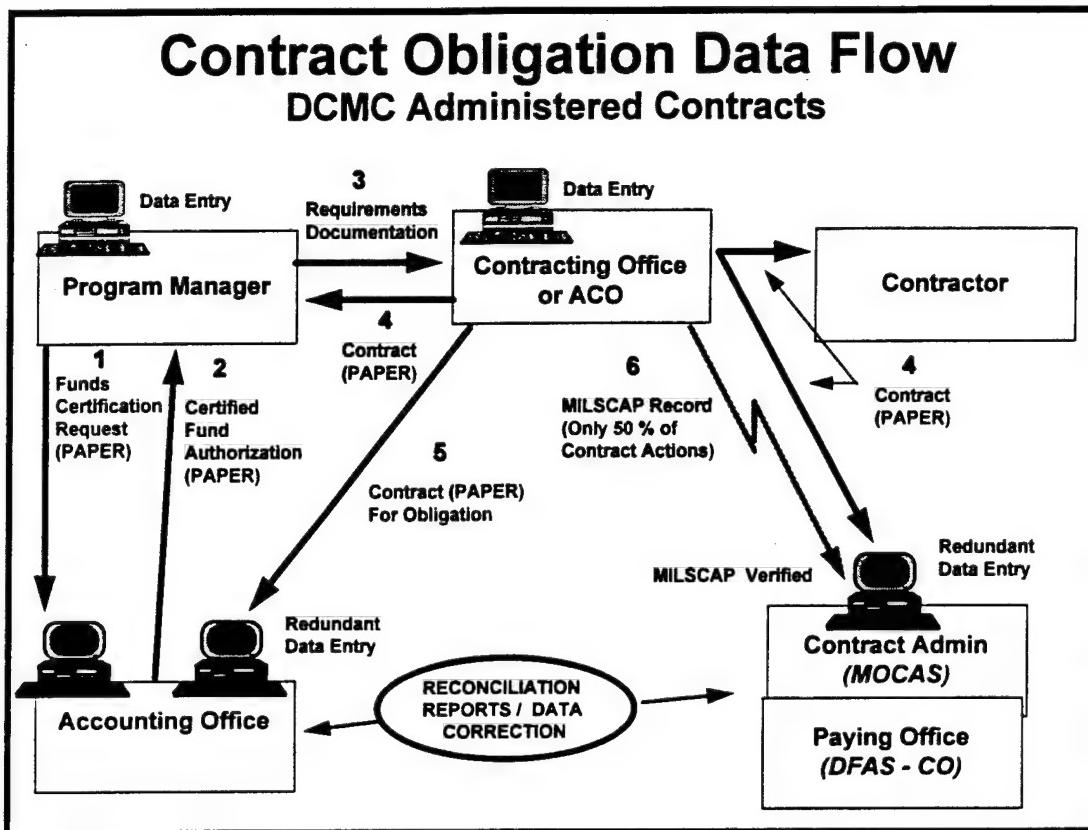
Figure VIII-1 is a simplified depiction of the current data flow for DCMC administered contracts. It begins with the Program Manager (1) manually submitting a paper funds certification document to the Accounting Office who, in turn, (2) certifies the funds, manually enters the data into the accounting system as a commitment and sends the paper document to the Program Manager for (3) transmission to the Contracting Office or ACO. The PCO negotiates and awards the contract and then (4) distributes it, sending a paper copy of the contract to the contractor, the contract administration system (MOCAS), the program management office and the accounting office. The contract data is then (5) manually entered into MOCAS and the accounting system and program manager's management information system. Approximately 50% of the contracts are (6) transmitted to MOCAS in the Military Standard Contract Administration Procedures (MILSCAP) electronic format. The MILSCAP format does not contain all of the data elements required to update MOCAS. In addition, DFAS-Columbus which has responsibility for entry of contract data into MOCAS, is experiencing problems with the accuracy and completeness of the MILSCAP data it receives. As a result, much of the data is manually re-entered into MOCAS by the clerks at DFAS-

Columbus. Contract data is being redundantly entered into accounting, contract administration, and program management systems. Since these data bases have no electronic links to each other, the systems are frequently out of balance due to inconsistent data entry and incomplete or untimely distribution of contract documents.

DFAS-Columbus provides disbursement transactions in four different formats that contain differing data elements. The three Military Departments each have a format for reporting disbursement transactions based on their unique lines of accounting data. DFAS-Columbus has been issued several Disbursing Office Symbols in order to act as a Disbursing Officer for the Army, the Navy, and the Air Force depending on the appropriation being disbursed. This allows DFAS-Columbus to report the disbursements directly to the applicable Military Department without needing to use the cross-disbursing process. The fourth format is the MILSCAP Contract Payment Notification (CPN) record which was designed to provide not only accounting data but also other data about the payment. Until recently the CPNs were not being balanced to the official disbursing returns of the Disbursing Officer at DFAS-Columbus so they could not be relied upon as accurate disbursement information.

Disbursement transactions are provided by DFAS-Columbus directly to the DFAS DAO (located at an Army site) for Army transactions. Electronic formats, in particular those from DFAS-CO, do not contain all the data needed by the systems DFAS uses to support the Army (SAPAS and SOMARDS). Therefore, these disbursement transactions must be manually entered into these systems. These systems record the obligations and payments against the commitment document. The CPN cannot be used by these systems because MOCAS and the CPN format are not compatible with the way the Army relates ACRNs and PRONs.

The DFAS accounting systems supporting the Navy can post the electronic disbursement records provided by the paying offices. However, the Navy disbursement records are not sent directly to the accountable offices or their systems. Instead, they are sent from DFAS-Columbus to DFAS-Cleveland. DFAS-Cleveland provides departmental level disbursement control for the Navy appropriations. The individual disbursement notification records are accumulated during the month in the Centralized Expenditure/Reimbursement Processing System (CERPS) at DFAS-Cleveland. After the official disbursement reports are balanced and submitted to the US Treasury at the end of the month, the individual transactions are downloaded to the transaction level accounting systems. This routing, which was originally established as a control mechanism, delays the first attempt to match the disbursement to the authorizing obligation by as much as 45 days. The Navy has not used the MOCAS CPN records to post disbursements because they were not balanced to the official disbursements figures reported to the US Treasury.

DFAS-Columbus sends the Air Force disbursement transactions to DFAS-Denver in the CPN format on a daily basis. DFAS-Denver reformats the transactions and distributes them to the transaction level accounting systems. Here, again, the central control mechanism delays the first attempt to match the disbursements to the authorizing obligation.

In those cases where the disbursing office belongs to a different Service than the accounting office, the electronic disbursement notification records and the paper vouchers are routed through the cross disbursing process to the DFAS-Center responsible for departmental accounting for the cited funds. Very few of the MOCAS payments are processed through the cross disbursing process because the Disbursing Officer (DO) at DFAS-Columbus has been assigned DO symbol numbers for each of the Services. This allows DFAS-Columbus to report disbursements in the unique formats of each of the Services. The cross disbursing process is very slow and requires manual comparison of automated transaction listings with hard copy vouchers. It normally takes 4 to 6 months before the disbursement transactions get to the accountable station for the initial match to the obligation records. The process is used because there is no standard electronic format for reporting disbursements within DoD. A standard disbursement notification record has not been developed because of the differences in the accounting line structures between the Services and Agencies.

B. Initiatives

The following interim initiatives are underway that when implemented will facilitate the processing of accounting data and assist in the reduction of unmatched disbursements.

1. DFAS is developing detail plans to streamline the 161 accounting systems it inherited from the Services into 50 migratory accounting systems. Table VIII-2 shows the current implementation schedule for the primary systems used in the procurement process.

Table VIII-2. Selected Accounting Migration Systems

CENTER	LEGACY SYS	MIGRATORY SYS	TARGET DATE
DFAS-IN-(ARMY)	SAPAS, SOMARDS	SOMARDS	FY 97
DFAS-CL (NAVY)	STARS	STARS	FY 94
DFAS-DE (AIR FORCE)	GAFS(BQ), CPAS	GAFS-OPS	FY 98
DFAS-KC (USMC)	HAS	SABRS	FY 95

2. DFAS has two automated data comparison projects underway to compare obligation and disbursement data in accounting systems (CPAS for USAF, STARS for Navy) with the corresponding data in MOCAS. These short term initiatives are expected to improve accuracy of contract administration, payment, and accounting data. Comparison reports will be prepared to include contract file information, summary comparisons, disbursement, and obligation comparisons. The comparison of Navy data from STARS with MOCAS data is underway. The comparison of Air Force data from the Central Procurement Accounting System (CPAS) began in June 1994 at two locations. In addition, the Army is testing a prototype MOCAS data download to a PC at the Communications and Electronics Command (CECOM), Ft. Monmouth, NJ. This download will provide the basis for a comparison of MOCAS obligations and disbursements to those in the accounting system at CECOM. While these comparison efforts will identify data differences, manual research and correction will be required to correct the mismatches.

3. Another DFAS initiative is the Direct Contract Payment Notice (CPN) project. The project is designed to provide daily direct reporting of CPN disbursements from the MOCAS system to the accountable stations in lieu of the disbursements being provided to the accountable stations through the DFAS Centers. The concept was tested with the Air Force CPAS in May and implemented in June 1994. This initiative is intended to: expedite resolution of obligation and expenditure errors; expedite elimination of data base differences between accountable station and payment office; and accelerate recording of expenditures (i.e. reduce in-transit delays).

4. Under consideration by DFAS for implementation September 1, 1996 is a proposal that would reduce the number of accounting data elements in MOCAS that would be required for payment. This approach has the potential of not only reducing data entry and validation requirements but also eliminating problems caused by the differences in the Service's accounting line structures. If implemented, the accounting systems need to become capable of posting disbursement/collection transactions with less incoming accounting data.

5. DFAS, together with the Military Departments, is developing a standard Budget and Accounting Classification Code (BACC). The BACC is intended to standardize the transaction level data elements within the Department. Implementation of the BACC is intended to eliminate the problems currently caused by the various accounting line structures used by the Military Departments and Agencies.

6. Under the overall CIM program, Phases I and II of the financial functional area were completed under the cognizance of the DoD Comptroller. DFAS initiated Phase III in January 1992, and is nearing completion. Phase III involves the development of both data and process models covering the full range of finance and accounting functions. Upon completion, the models will be merged with the data and process models developed by other functional communities and become part of the DoD central data repository.

C. Discussion

The heavy dependence on manual entry of contract obligation data into the Department's accounting and payment systems together with the attendant increased risk of errors represents an opportunity for improving operations and decreasing costs. Work is underway to expand the EDI contract (ANSI X12.850) and contract modification (ANSI X12.860) transaction sets. Also, implementation of EDI in the Department's contract placement systems is being aggressively pursued. The EDI transaction sets will include standard electronic contract obligation data which can be used to establish and maintain the obligation records in the accounting and payment systems. The accounting and finance migration systems should be modified to accept version 3050 of ANSI X12.850 and ANSI X12.860 transaction sets and use them to establish and maintain the contract obligation records. The DLA Systems Automation Center will modify DPACS to produce the expanded version 3050 ANSI X12.850/860 transaction sets by July 1995. Other legacy contract placement systems, such as AMIS, could have the same capability during 1995. MOCAS will

be modified to accept the expanded version 3050 ANSI X12.850/860 transaction sets by June 1995. Early implementation of EDI capabilities, particularly in the accounting systems supporting the major procurement appropriations, offers the potential to substantially reduce the data base differences between those systems and MOCAS.

The DFAS systems currently used by each Service to perform transaction level accounting for the major investment appropriations are shown in Table VIII-1. The use of multiple accounting systems, with their various data structures, adds to the complexity of solving the problems causing unmatched disbursements. The reductions in the number of accounting systems resulting from the conversion to the accounting migration systems will reduce this level of complexity. Each of the DFAS Centers is currently developing detail plans for migration system implementation. Each of those plans will be addressing interfaces with the Department's contracting systems. In order to ensure a consistent approach and to avoid scheduling conflicts, the development of well coordinated detail plans for implementing accounting migration systems will be essential. The detail plans must address both the required systems enhancements, as well as the deployment schedule.

The recommendations addressing accounting systems in this report are only part of the larger set of enhancements needed to bring the Department's financial management information to an acceptable level of accuracy and timeliness. These include: functionality enhancements such as installing a standard general ledger; improved control, aging and reporting of receivables; improved property accounting; improved cost accounting; and improved linkage of obligations and expenditures. Therefore, it is imperative that a comprehensive plan be compiled and maintained that includes all of the DFAS Center initiatives. A consolidated plan and schedule will allow timely decision making when the inevitable funding, scheduling or other conflicts arise.

Reducing the number of accounting systems is an important factor in the elimination of unmatched disbursements. Many of the recommendations in this report address changes to systems. Not only are the changes more difficult and expensive to implement when dealing with multiple systems, today's accounting systems are based on differing sets of data elements and transaction identification methods. Many of the changes recommended for the contract writing systems and the contract administration system will not have a positive impact on unmatched disbursements until the corresponding changes are implemented in the accounting systems. For example, Recommendation IV-2 involves providing an automated contract writing system to specific Navy offices so that they can provide the contract data in the EDI ANSI X12.850 formats. In this regard, DFAS faces a much bigger effort than the acquisition community simply because they are dealing with a much larger number of accounting and finance systems.

The recommendations that follow can be categorized into three groups. Those that address specific problems that can and must be dealt with quickly and usually involve DFAS-Columbus and one other Center include Recommendations VIII - 1 through VIII - 7. Recommendations VIII - 8 through VIII - 13 focus on the elimination of manual data entry and on improving the data consistency between the accounting data bases and MOCAS.

These recommendations rely heavily on the use of EDI transaction sets and the MILSCAP CPN to move information between the acquisition financial systems. Recommendation VIII - 14 addresses the long term goal of eliminating the requirements for multiple data bases containing duplicate contract and financial data.

D. Recommendations

RECOMMENDATION VIII-1: As an interim measure, transmit obligation transactions to the MOCAS system from STARS.

DFAS and DSAC are working on a proposal to transmit CLIN level obligation transactions from STARS to MOCAS. The transactions would be used as input to the on-line input screens when the DFAS-CO personnel input the contract data. The proposed approach will eliminate the duplicate key entry of the accounting data and obligation amounts, thereby reducing the possibility of errors.

Planned Completion Date: November, 1995
Responsible Office: DFAS and DSAC

RECOMMENDATION VIII-2: Perform automated comparisons of STARS, CPAS, SOMARDS, and SAPAS accounting records with MOCAS contract records at least quarterly.

MOCAS as well as the corresponding accounting systems contain different values for the same contract data. Until the contract data can be moved to a shared data base environment, a mechanized comparison should be performed between the accounting system and MOCAS data bases at ACRN and CLIN level on a quarterly basis. The comparison should, at a minimum, compare the cumulative obligations and expenditures and report all differences. During January 1994, STARS initiated this type of mechanized reconciliation action with MOCAS. DFAS-Denver began a test of the Automatic Reconciliation System (ARS) at Hill Air Force Base and Wright Patterson Air Force Base in June 1994. The ARS compares selected contract data in the CPAS data base with the corresponding data in MOCAS.

Planned Completion Date: January, 1996
Responsible Office: DFAS and DCMC

RECOMMENDATION VIII-3: Implement an unmatched disbursements reporting process that will ensure adequate management visibility.

An automated unmatched disbursements reporting process should be included in the accounting migration systems. This process should provide management adequate visibility of the unmatched disbursements, NULOs, and out bound disbursements-in-transit, effecting

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their respective accounting systems.

Planned Completion Date: March, 1996
Responsible Office: DFAS

RECOMMENDATION VIII-4: Install in MOCAS appropriate edits and validations of incoming accounting data to ensure the MOCAS accounting lines accurately reflect the data in the official accounting systems.

Inaccurate accounting data in the MOCAS data records results in disbursement records with incorrect accounting data. These incorrect disbursement records cause unmatched disbursements or negative unliquidated obligations. This recommendation will permit editing of the accounting data at the time the contract is entered into MOCAS, thereby increasing the likelihood that the errors will be identified and corrected before payments are issued.

Planned Completion Date: May, 1996
Responsible Office: Military Departments, DLA, and DFAS

RECOMMENDATION VIII-5: Review the feasibility of overlaying MOCAS accounting lines with STARS accounting data using automated reconciliation data.

DFAS-HQ compared MOCAS and STARS accounting data during January 1994. This comparison identified 16,000 ACRNs with differences, in the accounting data elements, between MOCAS and STARS. In addition 6,000 of these ACRNs appear to be active and will be cited on future payments. The recommendation is to overlay the MOCAS accounting data with the STARS accounting data while maintaining a full audit trail back to the previous accounting data and the payments which cited the incorrect accounting data. An initial review indicated that 95% of the ACRNs in STARS contain accurate accounting data. However, subsequent research has produced significantly different results. It is unclear whether this approach is feasible.

Planned Completion Date: Completed December, 1994. (A detailed review by the Navy and DFAS determined that, due to a lower than expected accuracy rate for the STARS records, use of the proposed approach would not provide the interim improvement originally envisioned.)
Responsible Office: DFAS and Navy

RECOMMENDATION VIII-6: Conduct a pilot test of on-site input of Navy contract modification obligations by DCMC offices into STARS.

Prior to the consolidation of the Naval Plant Representative Offices into DCMC, those offices input contract modification obligations into the STARS using on-site terminals.

Currently hard copy modification documents must be mailed to the Navy Air Systems Command headquarters. At NAVAIRSYSCOM the obligation data is entered into STARS. Access to STARS does not require special equipment or telecommunications lines. STARS can be accessed using a personal computer and modem, provided an authorized user identification code and password have been issued. The test could determine the workload impact on the DCMC offices and the actual benefits in terms of obligation timing and accuracy.

Planned Completion Date: May, 1995
Responsible Office: DFAS and DCMC

RECOMMENDATION VIII-7: Ensure adequate staffing levels are maintained in the Contract Entitlements Directorate until the backlog of out-of-balance contracts is reduced and the volume of new UMDs is significantly reduced.

During a visit to DFAS-CO, the Working Group was told that the staff of the Contract Entitlements Directorate was being reduced as part of an overall personnel reduction at the Center. Management should carefully evaluate the potential impact of any reductions to the Contract Entitlements Directorate. This Directorate's duties include the labor intensive, time consuming contract reconciliation process. As long as active contracts remain unreconciled, there is the likelihood of payment errors ranging from the selection of the wrong ACRN to actual overpayments. The current large backlog of contracts requiring research and reconciliation should be a high priority and, until resolved, be allocated any additional positions which may become available due to workload reductions or increased mechanization.

Planned Completion Date: March, 1995
Responsible Office: DFAS

RECOMMENDATION VIII-8: Transmit funding data to contracting office electronically (including funds certification when provided separately) from the accounting system using a standardized commitment document number.

The concept of the vision is that the commitment document (purchase request) information should only be entered once at the source, then certified and sent to the contracting office via a standardized electronic transmission. The accounting data being provided to the contracting office on purchase requests and requisitions originates in the accounting system supporting the office funding the procurement. If the data is not correctly cited on the contract, unmatched disbursements will result.

Since DPACS has been selected as the migratory contract placement system, the interim migratory accounting systems should be modified to provide accounting data

electronically to DPACS. A corresponding recommendation in the Contract Placement Section addresses DPACS acceptance of the automated accounting data.

Planned Completion Date: September, 1996
Responsible Office: DFAS

RECOMMENDATION VIII-9: Use ANSI X12.850/860 (version 3050) EDI transaction sets to establish contract obligations in the accounting systems. As a minimum, the systems identified in Table VIII-1, with the exceptions of GAFS(BQ) and HAS, should be modified.

The EDI transaction sets for contracts and modifications should be used as the automated input for establishing contract obligations in the DoD accounting systems. The ANSI X12 standard transaction set 850 is currently in use for small purchase orders. Expansion of the 850 transaction set to accommodate major contracts is expected to be completed by April 1995. Use of the EDI transaction set will eliminate the manual entry of contract data into the Department's accounting systems and the associated data entry errors. The 850 transaction set contains the requisition document identification and its relationship to the ACRNs and CLINs/SLINs and dollar amounts established in the contract. This data can be matched with the commitment transaction records in the accounting system and the obligation records established without manual intervention.

Planned Completion Date: March, 1997
Responsible Office: DFAS

RECOMMENDATION VIII-10: Establish a commitment document number to contract number, CLIN/SLIN, and ACRN cross reference file for selected legacy and migratory accounting systems.

In order to successfully post disbursements electronically based on the MILSCAP CPN, the accounting systems must be able to locate the obligation records based on the contract number (PIIN/SPIIN), ACRN, and CLIN/SLIN. Several of the legacy accounting systems will require a cross reference file to identify the commitment document number under which the obligation is posted. Currently, different data elements may be used to identify and match obligations and payments in accounting systems. For example, the SAPAS uses a Purchase Request Order Number (PRON) from commitment phase to contract close-out.

Planned Completion Date: September, 1996
Responsible Office: DFAS

RECOMMENDATION VIII-11: Limit accounting data on contracts to Contract Number, CLIN/SLIN, ACRN, FY, Appropriation, Limit/Subhead, Commitment Document ID Number, and Accounting Station.

Today the whole line of accounting data is transmitted with each payment notification. This accounting data is, in most cases, already available through the commitment record in the accounting system which is receiving the disbursement notification. Once the obligation records are accurately established, the disbursement transactions can be matched to the proper obligation using the contract number (PIIN/SPIIN), CLIN/SLIN, and ACRN and accounting station. The details in the full accounting line are not needed to match the payment to the proper obligation. Other than the data needed to identify the detail obligation, only data unique to a specific payment (item, quantity, discount taken, payment amount, etc.) should be transmitted to the accounting station. Other data needed for reports to higher headquarters or internal management should be available in the accounting systems based on commitment or obligation input.

Planned Completion Date: September, 1996
Responsible Office: DFAS

RECOMMENDATION VIII-12: Standardize the disbursement transaction control and distribution process across the Department.

DFAS inherited the accounting and finance systems and processes for the Military Departments when it was established. Each of the Military Departments had a different process and supporting systems for controlling and distributing disbursement and collection transactions. Those processes need to be standardized to ensure that disbursement and collection transactions remain under positive control from the time they are processed by a Disbursing Officer until they are successfully matched to the proper detail obligation. The standard process must support the policies contained in the March 31, 1994, DoD Comptroller memorandum "Negative Unliquidated Balances/Disbursements In Excess of Obligations".

Planned Completion Date: April, 1996
Responsible Office: DFAS

RECOMMENDATION VIII-13: Implement direct transmission of Contract Payment Notification (CPN) records from MOCAS to the installation level accounting systems.

Contract Payment Notice (CPN) is the automated MILSCAP format MOCAS uses to provide detail contract payment and collection data. The CPN format is not currently being used by all of the accounting systems. The existing processes require that Navy and Air Force disbursement transactions be sent to the DFAS Center which performs departmental accounting of the cited appropriation. The transactions are then forwarded to the accountable station for posting. This indirect routing can delay the initial matching of the disbursement to

the corresponding obligation by as much as 60 days. Army transactions are transmitted to the accounting stations, however, they cannot use the CPN as an automated input. The accounting systems requiring a CPN interface are STARS, CPAS, SAPAS, and SOMARDS. These particular systems represent the major procurement accounting systems of the Services.

Planned Completion Date: March, 1996
Responsible Office: DFAS

RECOMMENDATION VIII-14: Perform an analysis to determine the requirements and feasibility of a shared contract data base supporting acquisition, accounting, and finance.

Under such a concept there would be no detail obligation records in the accounting system for the contracts administered by DCMC. The commitment records would provide the location (system, contract number, CLIN/SLIN and ACRN) of the corresponding obligation record(s) and the accounting system would retrieve the information without the user needing to know the actual location of the data. Obviously, such an approach must include adequate controls to ensure data accuracy, timeliness, and security.

The Department is expending considerable resources attempting to bring its accounting data bases and the MOCAS data base into balance. With the software and hardware improvements that are planned, it is time to begin moving to the shared use of contract data and the elimination of the redundant records which currently must be maintained. Such a move would eliminate the need to reconcile accounting and contract administration data bases. Unmatched contract disbursements would be virtually eliminated because the detail obligation records in MOCAS would be used in the payment computation and validation process and the resulting payments would be posted to the same set of records.

The analysis should identify both the functional and technical requirements as well as determining the feasibility of this concept for each of the interim migration systems. If it appears feasible to implement this concept between MOCAS and one or more accounting systems, a prototype test should be conducted. This effort should be coordinated with the Acquisition Functional Information Manager who is also working on the initial concept for a shared data base environment to support the Acquisition functional area. There appear to be several significant technical issues which may be difficult to overcome; however, the use of shared or integrated data base technology is now commonplace in the commercial sector and should be adaptable to this situation.

Planned Completion Date: Completed April, 1995
Responsible Office: DFAS, DCMC, and DISA

RECOMMENDATION VIII-15: Develop and issue standard procedures for researching and clearing UMDs and NULOs.

Each DFAS Center is working with its Defense Accounting Offices (DAOs) and customers to clear UMDs and NULOs. The Military Departments and Agencies play an important role in these efforts. In order to ensure proper and consistent action in the clearing of UMDs and NULOs, each of the Centers should develop, in coordination with the DAOs and its customers, procedures that address the specific reports and transaction types applicable to the systems in use. In addition, the DFAS Centers should coordinate their procedures with the DFAS Columbus Center with respect to UMDs and NULOs resulting from MOCAS payments. Such written procedures are essential as both, guidance for personnel assigned to work these transactions, and as a part of the internal controls.

Planned Completion Date: June, 1995
Responsible Office: DFAS

RECOMMENDATION VIII-16: Develop and provide training to both DFAS and customer personnel involved in the research and clearing of UMD related transactions.

Based on procedures developed in response to Recommendation VIII-15, training should be developed by each of the DFAS Centers that is tailored to the individual operating environment. the training should also be tailored to provide the appropriate level of detail based on the functions being performed by both DFAS and customer personnel.

Planned Completion Date: July, 1995
Responsible Office: DFAS

RECOMMENDATION VIII-17: Validate current procedures for identifying, posting and tracking overpayments to contractors. Modify accounting and payment systems as needed to provide positive visibility and control over outstanding contractor overpayments.

Review current procedures and update them as necessary to ensure that overpayments to contractors are promptly identified and recorded, and that actions are taken to obtain prompt recovery. In particular, procedures for recording overpayments in the official accounting systems should be reviewed and actions taken as necessary to ensure adequate control and management visibility.

Planned Completion Date: June, 1995
Responsible Office: DFAS

IX. FUNDING PROFILES

A. General

The primary source of the funding data presented in this section is from Exhibit 43, "Report on Information Technology Systems," a series of exhibits containing budget estimates for information technology programs. Of interest to the Working Group was Exhibit 43C which contains development and modernization budget estimates for automated information systems (AISs). Development and modernization is defined as any change or modification to an existing AIS which results in improved capability or performance. The definition includes program costs for new AISs planned or under development. Also included as part of Exhibit 43C are personnel costs from the project management office and other direct support personnel involved with development and modernization. A summary of Exhibit 43Cs containing funding affecting contract placement, contract administration, electronic commerce, contract payment, and accounting follows. In those instances where budget estimates were taken from other sources, the sources are identified.

B. Contract Placement

Procurement as a functional area is comprised of procurement and contract administration. In their initial submission of Exhibit 43C-3, dated March 1994, the Corporate Information Management (IM) Procurement provided development and modernization budget estimates for both activities. These estimates, displayed in Table IX-1, in millions of dollars, do not reflect an accelerated schedule.

Table IX-1. Corporate IM Procurement Development & Modernization Budget Estimates

	FY 94	FY 95	FY 96	FY 97	FY 98	FY 99	Total
MOCAS	0	0	15.6	14.6	15.2	12.1	57.5
DPACS	11.8	12.0	0	0	0	0	23.8
EC/EDI	0	0	14.1	1.0	1.0	1.0	17.1
Procure Target Sys	0	0	15.4	1.4	3.1	0.5	20.4
AFMC H/W	0	0	19.9	10.6	0	0	30.5
Data Adm	0	0	2.5	1.0	1.0	1.0	5.5
IDEF Model	0	0	0.8	0.8	0.8	0.8	3.2
IOS Deploy	0	0	6.0	0	0	0	6.0
Legacy Sys	0	0	5.0	2.5	2.8	2.0	12.3
Navy APADE	0	0	1.5	1.5	1.5	1.5	6.0
AR SAACONS	0	0	2.2	1.7	1.7	1.7	7.3
FEA	0	0	0.4	0.4	0.4	0.4	1.6
TOTAL	11.8	12.0	83.4	35.5	27.5	21.0	$191.2

According to Exhibit 43, these resources would provide funding for the upgrade of MOCAS; an interface between DPACS and MOCAS; reverse engineering of DPACS; EC/EDI technical infrastructure to exchange data between Government and private industry; development

of the procurement target system; replacement of obsolete hardware in the Air Force Materiel Command (Procurement Contracting); procurement data administration/standardization; Integrated Computer-Aided Manufacturing Definition Language (IDEF) modeling for the procurement area; the Initial Operation Site (IOS) deployment of DPACS on the US Marine Corps Logistics Base, Albany GA; legacy system project software changes required to maintain compliance with laws and regulations mandated by Congress or OSD; replacement of APADE and SAACONS aging hardware; and functional economic analyses (FEAs) in the procurement business areas.

Corporate IM Procurement received $11.8 million for development and modernization funding in FY 1994 through the Defense Business Operations Fund. These resources are being used to enhance DPACS for inventory control point (ICP) functionality, provide a DPACS/MOCAS interface, and perform MOCAS data reverse engineering. At this point, Corporate IM Procurement funding requirements are not in the Program Objective Memorandum (POM). The funding in the outyears in Table IX-1 represent the amounts that the Components had previously identified for procurement AISs. The procurement Functional Integration Management (FIM) staff expressed their concern and frustration about the funding situation.

The Corporate IM Procurement was also allocated $5.3 million in FY 1994 from the Corporate Information Management (CIM) Central Fund. The CIM Central Fund provides resources to support functionally oriented analyses to improve, standardize, and streamline DoD-wide processes. CIM initiatives include such items as business process re-engineering, data administration/standardization, and migration/legacy system reduction/elimination analyses. Ultimate programming of funds against the CIM Central Fund budget is proposed to the ASD(C^3I) after review and assessment by the Corporate Functional Integration Board. The CIM Central Fund received nearly $115 million in appropriated funds for FY 1994. USD(A&T) received approximately $41 million of these funds of which the Corporate IM Procurement was allocated $5.3 million. These resources are being used by the FIM staff to fund FEAs, IDEF modeling, and data standardization/administration efforts.

At the request of the Working Group, the FIM staff provided their best estimate to migrate DPACS to the target system or develop a new target system. Software development costs are estimated at $76 million in either case. Hardware costs are estimated at $138 million with an additional $91 million in deployment costs. These estimates total $305 million.

C. Electronic Commerce (EC)/Electronic Data Interchange (EDI)

The Deputy Under Secretary of Defense for Acquisition Reform established a DoD Process Action Team (PAT) in July 1993 to assess current contracting capabilities in the DoD EC/EDI infrastructure. As part of their charter, the PAT team was tasked to develop a planning estimate for resources along with a schedule for implementing an EC approach for procurement functions for small purchases under $25,000. Table IX-2 extracted from the "DoD Electronic Commerce (EC)/Electronic Data Interchange (EDI) in Contracting" Report, dated December 20, 1993, summarizes the resource requirements in millions of dollars. The referenced report should be consulted for detailed explanation of the action items. The three deployment milestones, Phase I, II, and III, correspond to 0-6 months, 7-12 months, and 13-24 months, respectively. On

Table IX-2. Small Purchase EDI Resource Implementation Costs

Action	PHASE I	PHASE II	PHASE III	Total
APADE - EDI	.018	.007	0	.025
ITIMP - EDI	0	.003	0	.003
MADES II - EDI	.122	.336	.203	.661
SAACONS - EDI	.138	.016	0	.154
SPEDE	.032	0	0	.032
DPACS - EC	.648	.648	.750	2.046
Systems Subtotal	.958	1.010	.953	2.921
DISA Program Ofc	.750	.750	2.450	3.950
Technical Support	1.185	1.155	2.750	5.090
Configuration Mgt	.510	.540	.730	1.780
Distribution Hubs	.370	.370	1.000	1.740
DISA Subtotal	2.815	2.815	6.930	12.560
Program Execution	.665	.665	1.330	2.660
Configuration Mgt	.065	.050	.100	.215
TPA	.190	.190	.190	.570
Master Solicitation	.285	.190	.095	.570
Contractor Register	.565	.565	.380	1.509
Functional Subtotal	1.770	1.659	2.065	5.494
SAACONS-EDI Gateways	.150	.150	.600	.900
Navy Gateways	.240	.240	.480	.960
Air Force Gateways	.150	.150	.600	.900
DAASC Gateways	.060	.060	.120	.240
Gateway Subtotal	.600	.600	1.800	3.000
Regional Conferences	.332	0	0	.332
Education/Training	.372	.122	.058	.552
SBA Participation	.673	.673	.210	1.556
Education Subtotal	1.377	.795	.268	2.440
Grand Total	$7.519	$6.879	$12.046	$26.444

January 5, 1994, the Deputy Secretary of Defense approved the implementation plan and approved the $26.4 million funding requirement. Funds were transferred from DLA, executive agent for EC/EDI, to the Washington Headquarters Services' account. Of interest to the Unmatched Disbursement Working Group is that this effort will enhance the EDI capability and establish communication lines for several of the legacy procurement systems (contract placement) between the Government and private industry. However, this version of EDI is not the expanded transaction sets (850 and 860) which are needed for major weapon systems contracts and where the majority of unmatched disbursements have been identified.

D. Contract Administration

DCMC has primary responsibility for MOCAS/ICAS. The DLA Information Technology Back-Up Book for FY 1995, dated February 5, 1994, reflects the development and modernization funding (in millions of dollars) for MOCAS in Exhibit 43C-3a as shown in Table IX-3. It appears that the additional resources required to comply with the Deputy Secretary of Defense Memorandum of October 13, 1993, calling for accelerated development and deployment of migration systems, are included in the DLA's current Exhibit 43 for MOCAS. Since DFAS uses MOCAS for contract payment and has responsibility for that segment, MOCAS funding also appears in the DFAS budget.

Table IX-3. DLA Development and Modernization Budget Estimates for MOCAS

	FY 94	FY 95	FY 96	FY 97	FY 98	FY 99	Total
MOCAS	$22.3	$22.9	$23.5	$23.1	$22.8	$22.5	$137.1

DCMC received their FY 1994 funding. The $22.9 million for FY 1995 is in the President's budget and the budget stream for the outyears is included in the POM. As indicated earlier, there are several ongoing initiatives to upgrade MOCAS as it evolves into the Integrated Contract Administration Services (ICAS) System. The system is being upgraded primarily at the mid and local tier of operations through acquisition and deployment of minicomputer systems, PC workstations and conductivity/telecommunications equipment. Applications such as the Graphical User Interface (GUI), Contract Management Paperless Support System (COMPASS), and In-Plant Quality Assurance Representative System, currently under development will be deployed to the mid and local tiers.

The draft FEA for ICAS, completed March 21, 1994, determined that the total cost to develop ICAS is estimated to be $147.4 million. The draft FEA assumes that existing business practices will be improved prior to the ICAS automation enhancements. The business process improvements are estimated to cost $3.7 million and the automation enhancements total $143.7 million.

Procedure investment cost of $3.7 million for business process improvements include $2.4 million for user training and $1.3 million for procedure documentation and updates.

Business process improvement include actions such as: combining Engineering with Quality and Program and Technical Support where appropriate, eliminating duplicate activities in the Contract Review Process, improving the DD 250 (Material Inspection and Receiving Report) process to reduce time and errors, expanding authority to execute MOCAS data base changes, and eliminating non-value added tasks. Procedure investment costs would be incurred over a 3-year period and are expected to decrease DCMC operating costs by 9.4% one year after implementation. (Using activity based costing, the draft FEA estimated DCMC's total operating costs for FY 1994 at approximately $960 million.)

According to the draft FEA, the ICAS target system will be engineered in incremental stages using commercial off-the-shelf products and newly developed software applications. The draft FEA presents a detailed system cost analysis. A breakdown of major categories of cost (in millions of dollars) for the ICAS automation enhancements costs is displayed in Table IX-4.

Table IX-4: Tentative ICAS Automation Enhancement Costs

Category	Cost
Hardware/Software	$25.4
Systems Analysis	32.0
Systems Development	74.6
Travel	2.5
Training	9.2
TOTAL	$143.7

Hardware and software costs include 123 mini computers and Central Design Activity (CDA) tools. System analysis includes contract and government support. The majority of the systems development costs are earmarked for the design and development of ICAS ($10 million each year for 5 years). Additionally, systems development funds are required for: a study on how to migrate MOCAS to ICAS; a technical architecture study to determine where the computers will be physically located, the language used, the application development process, actual decision of where data will reside, the communication channels and how they will be configured, how the user will interface in a windows type environment, and copies of a commercial GUI; a technical bridge between data residing on old mainframes and new equipment; and deployment, installation, and acceptance testing. Training costs cover the training for CDA personnel, approximately 20,000 end users, and 150 operations personnel. The automation enhancement costs would be incurred over a 5-year period and are expected to result in an additional 19.3% reduction in DCMC operating costs one year after ICAS implementation.

The draft FEA spread the procedure and system investment costs over a 3 and 5 year period, respectively, in accordance with the tentative funding profile (dollars in millions) shown in Table IX-5. It has not yet been determined how much of the MOCAS development and modernization funding shown in Table IX-3 will be used for ICAS automation enhancements.

Table IX-5. Tentative Estimated ICAS Investments Costs

	FY 94	FY 95	FY 96	FY 97	FY 98	Total
Procedure Investment	0.9	1.7	1.1			$3.7
System Investment	27.7	47.6	20.1	23.7	24.6	$143.7
Total Cost	$28.6	$49.3	$21.2	$23.7	$24.6	$147.4

E. Contract Payment and Accounting

DFAS is the central organization responsible for the DoD finance and accounting procedures, financial management systems, and centralized accounting and finance operations. As a result, the Military Department's finance and accounting systems affecting contract payment and accounting have been capitalized by DFAS and are included in their budget. Table IX-6 displays the development and modernization funding (in millions of dollars) for the various systems used for contract payment and accounting. This budgetary information was extracted from the DFAS FY 1995 Information Technology Budget Submission (Exhibit 43C-3), dated February 7, 1994.

Table IX-6. DFAS Development and Modernization Funding
for Contract Payment and Accounting

	FY 94	FY 95	FY 96	FY 97	FY 98	FY 99	Total
SOMARDS	1.4	3.5	3.9	2.7	1.4	1.4	14.3
STARS	9.7	15.5	14.5	14.0	4.2	4.3	62.2
GAFS-Op	2.2	9.0	10.2	13.6	4.9	5.5	45.4
SABRS	5.3	7.0	4.3	2.4	2.0	2.0	23.0
STANFINS	2.1	7.8	7.3	6.8	2.0	2.0	28.0
SAPAS	0.3	0.3	0.3	0.3	0.0	0.0	1.2
MAFR	2.2	3.2	0.3	0.3	0.0	0.0	6.0
CPAS	2.2	2.2	2.3	2.3	2.4	2.4	13.8
CLDS	5.7	9.2	3.5	1.5	0.0	0.0	19.9
CLVPS	5.0	2.0	0.0	0.0	0.0	0.0	7.0
MOCAS	6.2	4.1	3.7	3.7	3.8	3.9	25.4
CAPS	1.3	3.6	1.9	1.8	1.2	1.2	11.0
IAPS	1.3	1.4	1.4	1.4	1.4	1.5	8.4
SRD-I	3.2	7.0	2.9	2.3	2.1	2.1	19.6
Total	48.1	75.8	56.5	53.1	25.4	26.3	$285.2

DFAS received the FY 1994 funding as indicated Table IX-6. The funding for FY 1995 is in the President's Budget and the funding profile for the outyears in contained in the POM.

The budget estimates identified in Table IX-6 are earmarked to fund several projects. These projects are displayed by contract payment and accounting system in Table IX-7. The "X"

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in Table IX-7 indicates the project areas where resources will be expended sometime during the period FY 1994 through FY 1999. Project level break-out is not yet available for some of the AISs, especially those most recently capitalized. (Dollar values were previously identified by the prior proponent of the system.) This information was extracted from the DFAS Software Development/Modernization Capital Budget which is from the same data base that generates the Exhibit 43 reports. The payment portion of MOCAS is being redesigned to incorporate the latest prompt pay and progress payment provisions, to provide EDI capability for DD 250 and commercial invoices, to incorporate disbursement reporting via contract payment notifications, to improve the contract invoice notification system (COINS), and to provide more accurate and timely financial information.

As discussed in Section VIII, many of the recommendations addressing contract writing systems and the contract administration system are based on corresponding changes in the accounting or finance systems. If these changes do not occur, the full benefit of the recommendations, the elimination of unmatched disbursements, will not be achieved. The timing of these changes is also critical. Implementation of the recommended changes to the acquisition systems will require changing the priority and timing of other acquisition initiatives. In order to achieve the maximum benefit from the recommended actions, the acquisition and financial initiatives must be well coordinated. It is critical, therefore, that DFAS develop as quickly as possible both the detailed system migration plan and the implementation schedule for the recommendations approved by the panel.

TABLE IX-7 DEFENSE FINANCE AND ACCOUNTING SERVICE
DEVELOPMENT AND MODERNIZATION PROJECTS FOR CONTRACT PAYMENT AND ACCOUNTING*

	SOMARDS	STARS	GAFS-OP	SABRS	STANFINS	SAPARS	MAFR	CAPARS	CLDPS	CLVCPPS	MOCCAS	CAPS	IAPPS	SRD-I
Transferred Baseline - Projects Undefined	X				X	X								
Projects Undefined											X			
Accounts Receivable		X	X											X
Accrual Accounting			X	X	X							X		
Audit Trails			X	X	X							X		
Bond Initiative									X					
Budgetary Accounting			X	X	X			X				X		
Cash and Accounts Payable		X	X					X				X		X
Center Level Disbursing									X			X		
Congressional Mandates												X		
Consolidation		X		X			X					X		X
Conversion Actions/Implementation	X	X	X	X	X					X		X		
Cost Accounting	X	X	X	X	X									
Customer Driven												X		
Defense Check Reconciliation									X					
EDI Software and Equipment												X		
Environmental												X		X
Expansion												X		
Financial Battlefield System									X					
Functional Enhancements														X
General Ledger Control and Financial Reporting	X	X	X	X	X							X		X
Interfaces		X	X	X								X		X

* X denotes project areas in capital budget for FY 1994 - FY 1999

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TABLE IX-7 DEFENSE FINANCE AND ACCOUNTING SERVICE
DEVELOPMENT AND MODERNIZATION PROJECTS FOR CONTRACT PAYMENT AND ACCOUNTING*

Project	SOMARDS	STARS	GAFS-OP	SABRS	STANFINS	SAPAS	MAFR	CPAS	CLDS	CLVPS	MOCAS	CAPS	IAPS	SRDI
Legislative and Policy Driven Modifications			X					X						
Merged Accountability and EUDE							X						X	
Military and Civilian Payroll Procedures	X			X										X
Network Support Systems					X									
On-Line Payment and Collection									X					
OSD Directed Modifications			X					X				X		X
Outyear Update												X		X
Property and Inventory Accounting	X		X	X	X									
Standard Budget and Accounting Classisfication Code	X	X	X	X	X							X		X
Standardization Initiative												X		X
System Controls (Fund and Internal)		X	X	X	X							X		X
System Documentation	X		X	X	X							X		X
System Operations	X		X	X	X							X		X
Systems Specification										X				
Undistributed Disbursement Project									X					
User Information Needs	X	X	X	X	X							X		X

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* X denotes project areas in capital budget for FY 1994 - FY 1999

F. Recommendations

RECOMMENDATION IX-1: Review the funding and prepare a comprehensive plan by initiative and system for contract placement and administration migratory systems.

Funding for the procurement migratory systems is not centralized. DCMC requests, and receives, funding for MOCAS through DLA. The primary source of DLA's funding for DPACS development is through the Corporate IM Procurement. Both DLA and FIM staff included MOCAS in their Exhibit 43s, but with differing amounts. It is not clear whether these amounts are additive or duplicative.

The EC/EDI initiative in the Corporate IM Procurement Exhibit 43 submission appears to duplicate an effort that has already been funded as a result of the EC/EDI PAT effort. Both initiatives stem from DMRD 941 and indicate that the EDI capability for various legacy procurement systems (e.g., APADE, ITIMP, MADES II, SAACONS, and SPEDE) will be enhanced and that communication lines to support the exchange of data between the government and private industry will be established. However, additional resources may be required in FY 1996 to upgrade EDI to the enhanced 850 and 860 transaction sets.

A comprehensive plan, complete with budget quality funding estimates, needs to be developed for the procurement migratory systems, especially DPACS. Consideration should be given to centralizing the funding under a Program Management Office as recommended in Recommendation IV-7 or, if not, under the DLA since the DLA is the system manager for both migratory systems (DPACS and MOCAS) and currently possesses the infrastructure and expertise to administer the funds. In any event, execution of these funds should be made subject to review and approval by the OSD procurement Principal Staff Assistant (PSA) to ensure effective integration and implementation of procurement policy and goals.

Planned Completion Date: Completed November, 1994
Responsible Office: Director of Defense Procurement

RECOMMENDATION IX-2: Review the finance and accounting migration plans and prepare a comprehensive schedule and funding plan by initiative and system.

It is recognized that DFAS inherited a myriad of accounting and finance systems and that their migration system planning is not yet complete. Both the use of EDI for establishing obligations and the use of the MOCAS CPN record to post disbursements need to be included in current project plans, milestones, and funding projections. The project plans for at least those systems addressed in this report need to be consolidated and a critical review of existing and planned initiatives, schedules, and funding should be performed. Consideration should be given

to assigning a higher priority to those initiatives that will stem the flow of unmatched disbursements.

Planned Completion Date: Completed October, 1994
Responsible Office: DFAS

X. FUTURE VISION AND INTERIM STRATEGY

A. Description of Future Vision

The future vision to resolve the problem of unmatched disbursements is best described as **an integrated system at the data base level** serving both the acquisition and financial management communities. This concept is shown in Figure X-1. It was not possible to develop a future vision other than conceptually because neither community had firm, meaningful plans upon which to develop a more detailed future vision. Current efforts focus on legacy and migratory systems, but those efforts appear to be consistent with, and are moving toward, the future vision as described below.

Figure X-1. Future Vision
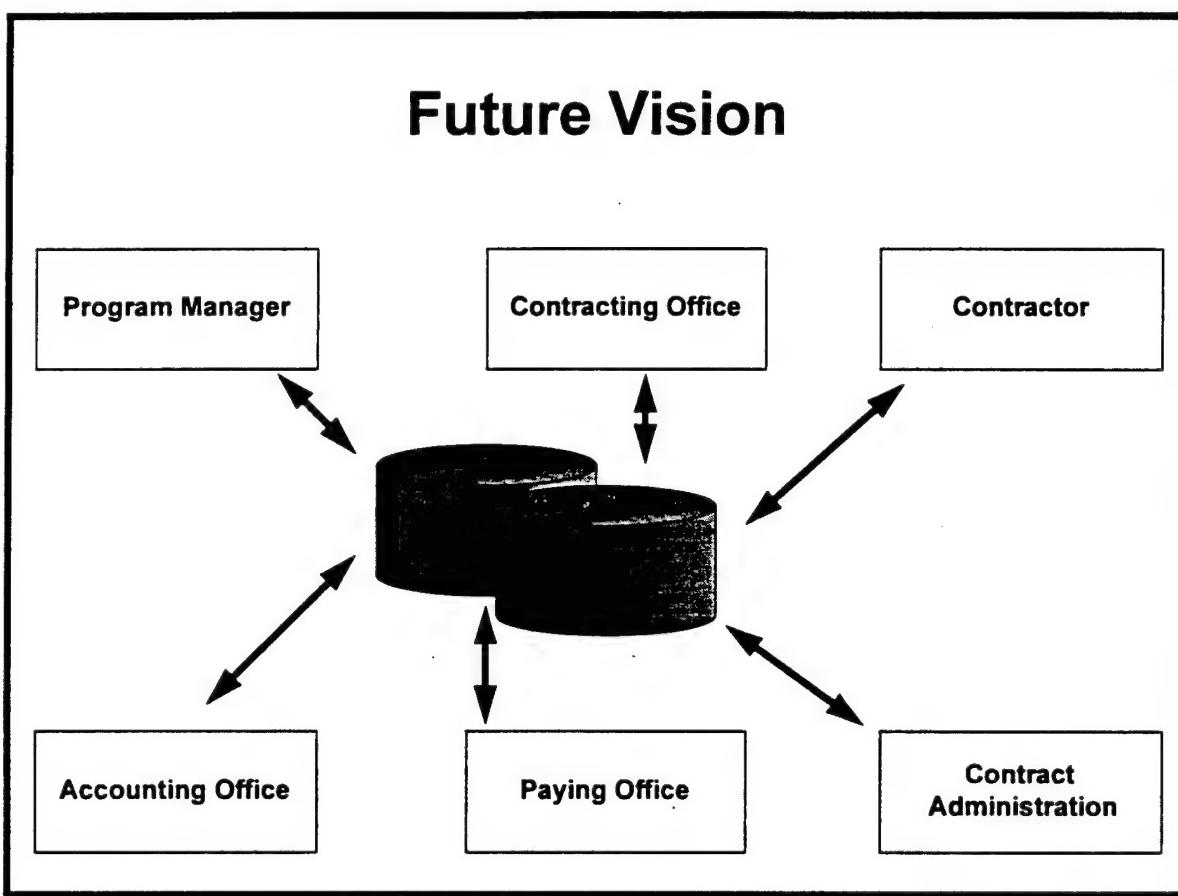
The data base would contain common or **standard data elements** using agreed upon naming conventions and definitions. Because the **data** are contained **in only one location,** the data need only be **entered once.** Additionally, when data changes occur, adjustments are made in only one place. Furthermore, it is envisioned that **data entry would be performed by those with whom the data originates**. Unlike the current process, contract data entry would be the responsibility of those most knowledgeable about the contracts, those organizations preparing the

contracts rather than financial management personnel. Data integrity, the quality, consistency, and timeliness, will be greatly enhanced if data elements are standardized and entered at source only once in a timely fashion.

The acquisition and financial management communities will each have their own suite of software modules to perform the tasks of their respective communities. It is envisioned that **software modules will be based upon standard business practices** within each of the communities. For example, the acquisition community will adopt a **uniform contract structure and format** and will use a standard pre-award and post-award procurement system. Such a structure will simplify contract processing, eliminate Service-unique conventions, enhance automation efforts, reduce maintenance costs, and reduce training costs. The financial community, on the other hand, has as its goal a **consolidated accounting system**. Contract payments will be tracked using a single set of parameters. Each community will access the integrated data base to obtain the data required to run their individual modules. It is envisioned that the integrated data base will be **updated in real time**.

An example portraying the utility of the future vision using Figure X-1 would be as follows: The Program Manager needs the status of his program. He accesses the information from his terminal by requesting the status of the contract. At the same time, the Procuring or Administrative Contracting Officer needs to make a contract modification which adds work and dollars to the contract. He accesses the contract through his terminal which displays the information including all previous modifications. Contract changes are made and recorded instantaneously. The ACO is asked the status of a contractor invoice. He calls up the contract and is provided information showing when the invoice was received and when payment is due. The materiel manager needs to know if a certain line item was accepted by the government. He calls up the contract and is given the status of items inspected and accepted by the government.

The architecture to enable data collection and dissemination will be driven by available technology and resources. It is imagined that there will exist some **direct link** between the various communities and the integrated database. While not shown in Figure X-1, it is anticipated that contracting offices will be equipped with **electronic data interchange** capability using **standardized transaction sets** to enable them to electronically communicate with potential contractors. Employing such technology will permit the Department to readily establish trading partners with the private sector and reduce the reliance on hard copies.

The future vision dovetails with the CIM concept, the Department's management philosophy to improve the management of information. CIM goals include streamlining and standardizing functional processes, standardizing data structures, eliminating duplicative efforts in systems development and maintenance, improving management information in support of business areas, achieving compliant systems, and reducing **reliance on paper copies**. In addition to these concepts, the financial community is striving to improve the **accuracy and timeliness of financial data**. This concept will enhance **audit trails** of transactions and ensure the integrity of resulting financial reports.

The development of the future vision will require a dedicated and collaborative effort among several communities including logistics and the information systems/technology communities as well as acquisition and finance. Functional and technical requirements need to be carefully determined and fully coordinated.

B. Interim Strategy

The future vision is the ultimate, long term goal to which the Working Group feels acquisition and financial management communities should be working towards in order to resolve the systemic problem of unmatched disbursements as well as related problems such as negative unliquidated obligations. This section discusses an interim strategy for reducing unmatched disbursements. It focuses on the interchange of data between the acquisition and financial management systems and offices for contracts administered by DCMC because the majority of unmatched contract disbursement dollar value relates to these contracts. Figure X-2 depicts the interim strategy for DCMC administered contracts.

A concerted effort is underway within the Department to expand the implementation of EC/EDI. The Defense Logistics Agency Pre-Award Contracting System, which has been

Figure X-2. Interim Strategy
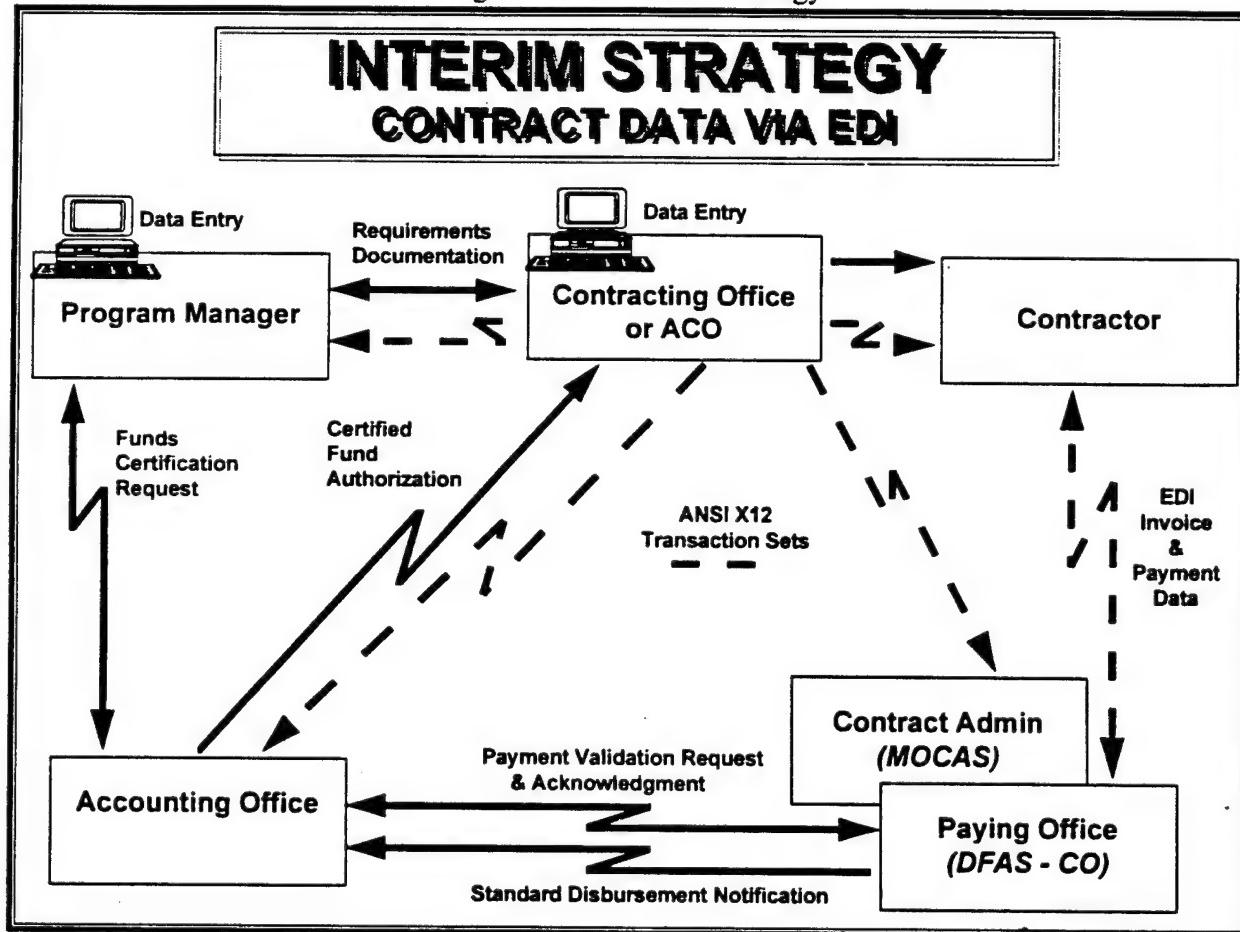
selected as the migratory contract placement system, is being modified to produce the various ANSI X12 EDI transaction sets. In addition, selected legacy contract placement systems are being modified to provide EDI transaction sets. The recommended strategy is to use version 3050 of the ANSI X12.850/860 EDI transaction sets as the means of providing automated contract updates to the contract administration system, contract payment systems, and the accounting systems. The ANSI X12.850/860 transaction sets can be used to establish the contracts and modifications in MOCAS for the contracts administered by DCMC. For those contracts not administered by DCMC, the EDI 850 and 860 transaction sets can be used to establish the contact records in the vendor payment systems. The same EDI transaction sets (850 and 860) can be forwarded to the accounting systems to establish or modify obligation amounts. Use of these sets will eliminate a substantial amount of manual data entry and greatly improve data integrity between the contract payment and accounting systems.

DFAS is actively engaged in the implementation of EDI capabilities for receipt processing and invoicing. The DFAS-Columbus Center will be implementing the use of EDI transaction sets for both the Material Inspection and Receiving Report (DD 250) and commercial invoices by the end of FY 1994. The EDI transaction set for contractor progress payment requests will be implemented during the 1st quarter of FY 1995.

Implementation of this strategy will require continuous coordination between all of the offices involved in the development and implementation of systems changes as well as the offices responsible for the day to day operations which rely on the effected systems. The priority items for the Interim Strategy are:

- Approve the expanded EDI ANSI X12.850 and 860 version 3050 transaction sets for contracts and modifications

- Provide an EDI capable automated contract writing system to support selected contracting officers responsible for major contracts, who do not have contract writing systems that can be modified to produce the EDI transaction sets.
  (Recommendation IV - 2)

- Modify the migratory contract writing system to produce the EDI transaction sets.

- Modify the legacy contract placement systems which support the major weapons systems offices to provide the expanded EDI transaction sets.
  (Recommendations IV - 3 and 4)

- Provide an automated EDI-capable contract modification writing system for use by administrative contracting officers responsible for major contracts.
  (Recommendation VI-2)

- Modify the contract administration system to use the EDI contract and modification transaction sets to establish and update the contract records.
  (Recommendation VI - 1)

- Modify the major procurement accounting systems to accept the EDI purchase order (contract) and modification transaction sets as the means of establishing and updating obligation amounts. (Recommendation VIII - 9)

- Modify the invoice validation and entitlement computation process in the system used to process major contract payments. (Recommendations VII - 3, 4, 5, 6, and 7)

- Validate proposed payments against the appropriate detail unliquidated obligation(s) in the official accounting system prior to payment. (Recommendation VII-2)

- Modify major procurement accounting systems to accept a standard disbursement notification format. (Recommendation VIII - 13)

In some cases, the capabilities listed above are already in place or are in the process of being implemented. Based on current schedules for existing initiatives and the magnitude of the efforts involved in the remaining efforts, it appears that this strategy could be implemented by June 1998, if sufficient personnel and funds are made available.

C. Recommendations

RECOMMENDATION X-1: Develop a joint acquisition and financial management schedule, resource plan, and milestones for the approved recommendations.

In order to resolve the systematic problem of unmatched disbursements in timely and cost efficient manner, it is essential that once the Working Group's recommendations are approved, the acquisition and financial management communities develop fully coordinated plans with milestones and resource requirements. Furthermore, it is essential that these plans be carefully monitored and potential changes to the plans be shared across communities so that impacts can be determined. For example, the application of EDI technology to the procurement process has potential for reducing recognized causes of unmatched disbursements, data entry, and the timeliness with which contract modifications are entered into the system. However, to apply this technology to the resolution of unmatched disbursements, the implementation of EDI transaction sets to the contract writing system(s) (e.g., DPACS), the contract administration system (MOCAS/ICAS), and the accounting systems must be accomplished in a timely and closely coordinated manner.

Progress against the joint acquisition and financial management plan to resolve unmatched disbursements should be a standing agenda item for meetings of the Acquisition and Financial Management Panel.

X-5

Planned Completion Date: May, 1995
Responsible Office: DFAS and Director of Defense Procurement

RECOMMENDATION X-2: Expedite the consolidation of the standard data element sets being developed by both the acquisition and financial management communities.

Both acquisition and financial management have been working independently toward data standardization within their respective communities. These efforts are being conducted in accordance with CIM data and process standardization procedures. The next step is for each set to be reviewed and approved by the other functional communities within the Department. The future vision of a shared data base requires a standard set of data elements. The definition and use of each element must be consistent across both communities. For example, it is imperative that both communities track contracts using the same set of parameters with identical meanings.

Recommended Completion Date: Completed March, 1995
Responsible Office: DFAS and Director of Defense Procurement

XI. POTENTIAL BENCHMARKING PROJECTS

A. General

Benchmarking is a systematic process of measuring current business operations, comparing them to best-in-class operations, and then closing the gap through process improvement. Application of the knowledge gained from a benchmarking study provides a foundation for building operational plans to meet and surpass industry best practices. During re-engineering efforts, benchmarking helps define goals for specific processes by identifying the best-in-class. Benchmarking provides clear examples of best practices that have been implemented and how they were implemented. This strategy can help set a re-engineering effort on the path to success and keep it there. Benchmarking success requires one to: understand customer requirements, know the operation or process requiring improvement, identify the industry leaders (public or private), incorporate best practices, and attain superior performance.

Of the three types of benchmarking (internal, competitive, and functional or generic), internal benchmarking, comparing the business practices internally and selecting the best one, and functional/generic benchmarking, identifying best practices in any type of organization that has established a reputation for excellence in the specific area (e.g., work process) being benchmarked, would have the most application to resolving problems contributing to unmatched disbursements. A major advantage of functional/generic benchmarking is that there is a high potential for discovering innovative practices and has the potential to alter an organization's approach to certain issues and problems.

B. Potential Projects

The Working Group identified the following areas where benchmarking could be of value. Two of the efforts involve the establishment of new business processes necessary to make successful and efficient use of emerging technology within the Department. The remaining efforts involve improving and/or standardizing existing business practices or procedures.

1. Overall umbrella for EDI operating procedures. The Department is committed to utilizing EDI as a method of facilitating data transmission. Pre-award, post-award, payment, and accounting systems should all have EDI capability. Current efforts will provide an EC/EDI enabling technology, but not the re-engineering of the business process to make maximum use of this technology. A functional benchmarking project to identify organizations recognized as having state-of-the-art EDI operating processes (procedures) would provide DoD a model when developing its own umbrella EDI operating procedures. Business practices encompassing EDI operating procedures must avoid the pitfalls that contributed to MILSCAP's less than successful implementation, e.g., perceived high error rates, reliance on hard copy, incomplete data, etc. For greatest success, the benchmarking team should be cross-functional with representation from the contracting, financial, and communication communities. (Partially Recommendation VII-8)

2. Invoice processing. The types of invoice processing affecting contract payment are the invoices submitted by the contractors for payment of delivered goods and services and those requesting progress payments. It is recognized by the Government that long lead times and work-in-process expenditures required on many contracts may strain a contractor's working capital. As a result, progress payments are authorized to provide interim contract financing on fixed-price contracts, fixed price incentive contracts, and the fixed price portion of mixed contracts. Progress payments are "repaid" (recouped) by decrementing delivery payments. Contracts with progress payment provisions are frequently paid manually and contribute to the problem of unmatched disbursements. Benchmarking investigations may be beneficial in identifying best-in-class invoicing processes for delivery payments and progress payments. ANSI X12 transaction set (810) for invoices may be the cornerstone for this process. While it will require changes to existing acquisition regulations, consideration should be given to streamlining procedures that reduce reliance on invoices. For example, goods received could be matched (on-line) with the order and payment authorized without the need for invoices. (Recommendations VII-4 through VII-7)

3. Standardize the first destination transportation costs. Unmatched disbursements resulting from transportation costs being paid by the wrong line of accounting appear to occur primarily in only one Military Department. An internal benchmarking effort, comparing business practices internally within the Department, may produce a good method of standardizing the payment of these transportation costs. (Recommendation IV-10)

4. Standardize the disbursement transaction control and distribution process across the Department. Each of the Military Department had a different process to perform disbursement transaction control and distribution, a function now performed by DFAS. A benchmarking investigation would be useful to determine the best-in-class procedures for performing this function. (Recommendation VIII-12)

5. Umbrella operating procedures for future vision. The future vision to resolve the systemic problems of unmatched disbursements is based upon an integrated contracting/financial data base. As is the case with EDI technology, umbrella operating procedures relative to the integrated data base need to be developed. A functional benchmarking investigation would be an excellent method to identify companies with "world class" reputations in the operation of integrated data bases. The benchmarking team should have representation from the various user communities. This project would have lower priority in that it will be some years before an integrated data base will become reality. (Partially Recommendation VIII-14)

XII. SUMMARY OF RECOMMENDATIONS AND TIMELINE

The recommendations are summarized on the following three pages. The recommendation number, organization with lead responsibility, and suggested completion date, as determined by the Working Group, are provided for each recommendation. The TL number represents a crosswalk between the list of recommendations and the timeline displayed on pages XII-5 through XII-9. In addition to the recommendations, the timeline also shows other ongoing improvement initiatives that will ultimately aid in the reduction or elimination of unmatched disbursements. The * in the timeline indicates a Working Group recommendation.

RCMD. NUM	RECOMMENDATION	TL NUM	LEAD	PLANNED COMPLETION DATES
III-1	Perform a review to determine if the number of ACRNs being cited on contracts can be reduced without detrimental effect on either program or financial information or control requirements.	30	DoD Comptroller	Dec 1995
IV-1	Assign responsibility for entry of contract data into MOCAS to the contract or contract modification originator concurrent with the implementation of contract writing systems with EDI capabilities.	6	DDP	Completed
IV-2	Provide NAVSEA, NAVAIR, and SPAWAR with an automated contract writing system capable of transmitting contract data in the ANSI X12.850/860 formats to MOCAS.	17	DDP	Jul 1995
IV-3	Implement ANSI X12.850/860 transaction sets capability in AMIS.	18	DDP	Jul 1995
IV-4	Implement ANSI X12.850/860 transaction sets capability in PADDS.	19	DDP	Jun 1995
IV-5	Develop the capability for contract writing systems to accept an automated feed of financial data from the accounting systems.	31	DDP	Sep 1996
IV-6	Bring to closure the DFARS Case 93-D016 to require each CLIN to reference a single ACRN.	14	DDP	Completed
IV-7	Establish a Program Manager and support office to develop and implement a program plan for the contract writing and contract administration migratory systems.	3	OUSD (A&T)	Completed
IV-8	Standardize the format of definitization (i.e. PZ and AZ) modifications with respect to the identification of the value of the change amount and the cumulative amount.	13	DDP	Jul 1995
IV-9	Require clear identification of CLINs as either cost type or fixed price when both are used in the same contract.	15	DDP	Jul 1995
IV-10	Standardize the ordering and accounting for first destination transportation costs when billed by the contractor separately from the deliverable line items on a contract.	35	DFAS	Aug 1995
VI-1	Accelerate the June 1995 enhancement of MOCAS with ANSI X12.850/860 EDI transaction set version 3050.	22	DDP	Jun 1995
VI-2	Provide an EDI-capable automated contract modification writing system to all DCMC ACOs	34	DDP DCMC	Nov 1995
VII-1	Limit the use of MOCAS internal unvouchered accounting line adjustments to cases where DFAS-CO has been provided evidence that another office has processed a vouchered disbursement adjustment.	54	DFAS	Oct 1995
VII-2	Validate proposed payments against the applicable detail obligation(s) in the official accounting system prior to payment.	60	DFAS	Dec 1997
VII-3	Revise MOCAS to recognize the difference between cost and fixed price CLINs within a contract in the payment processes.	56	DFAS	Jul 1997
VII-4	Revise the automated process for the assignment of ACRNs on cost type payments to require input of CLIN/SLIN amounts.	57	DFAS	Jul 1998
VII-5	Revise progress payment process to pay based on CLIN/SLIN.	58	DFAS	Aug 1997
VII-6	Revise the automated progress payment recoupment process in MOCAS.	59	DFAS	Jan 1997

ACQUISITION AND FINANCIAL MANAGEMENT
WORKING GROUP
TABLE OF RECOMMENDATIONS

RCMD. NUM	RECOMMENDATION	TL NUM	LEAD	PLANNED COMPLETION DATES
VII-7	Perform a review of the MOCAS payment logic to identify all barriers to automatic payment processing and take action to reduce the amount of manual processing required.	53	DFAS	Completed
VII-8	Implement the routing procedures and instructions for transmitting EDI transaction sets within DoD.	20	DISA DFAS DCMC	Completed
VII-9	Develop and begin executing a plan for the reconciliation of the existing backlog of out-of-balance contracts and ACRNs in MOCAS.	41	DFAS	Dec 1995
VII-10	Develop specific criteria to be used to determine when contract reconciliation efforts should be terminated due to lack of information.	43	DFAS	Jun 1995
VII-11	Ensure that progress payment requests include an allocation of the net progress payment amount to the CLIN/SLIN level.	36	DDP	Nov 1995
VII-12	Ensure that cost type billings include an allocation of the net billing amount to the CLIN/SLIN level.	37	DDP	Nov 1995
VII-13	Develop adjustment procedures, including the associated accounting treatment, to resolve reconciliation issues involving canceled appropriations.	9	DFAS	Jun 1995
VII-14	Develop procedures to ensure that both the paying office and the applicable accounting office are notified whenever payment corrections or adjustments are processed.	23	DFAS	Oct 1995
VIII-1	As an interim measure, transmit obligation transactions to the MOCAS system from STARS.	4	DFAS DSAC	Nov 1995
VIII-2	Perform automated comparisons of STARS, CPAS, SOMARDS and SAPAS accounting records with MOCAS contract records at least quarterly.	44	DFAS DCMC	Jan 1996
VIII-3	Implement an unmatched disbursements reporting process that will ensure adequate management visibility.	46	DFAS	Mar 1996
VIII-4	Install in MOCAS appropriate edits and validations of incoming accounting data to ensure that the MOCAS accounting lines accurately reflect the data in the official accounting systems.	55	Military Depts DLA DFAS	May 1996
VIII-5	Review the feasibility of overlaying MOCAS accounting lines with STARS accounting data using automated reconciliation data.	42	NAVY DFAS	Completed
VIII-6	Conduct a pilot test of on-site input of Navy contract modification obligations by DCMC offices into STARS.	24	DFAS DCMC	May 1995
VIII-7	Ensure adequate staffing levels are maintained in the Contract Entitlements Directorate until the backlog of out-of-balance contracts is reduced and the volume of new UMDs is significantly reduced.	38	DFAS	Completed
VIII-8	Transmit funding data to contracting office electronically (including funds certification when provided separately) from the accounting system using a standardized commitment document number.	51	DFAS	Sep 1996
VIII-9	Use ANSI X12.850/860 (version 3050) EDI transaction sets to establish contract obligations in the accounting systems.	47	DFAS	Mar 1997
VIII-10	Establish a commitment document number to contract number, CLIN/SLIN, and ACRN cross reference file for selected legacy and migratory accounting systems.	5	DFAS	Sep 1996
VIII-11	Limit accounting data on contracts to contract number, CLIN/SLIN, ACRN, FY, appropriation, limit/subhead, commitment document ID Number, and accounting station.	45	DFAS	Sep 1996

ACQUISITION AND FINANCIAL MANAGEMENT
WORKING GROUP
TABLE OF RECOMMENDATIONS

RCMD. NUM	RECOMMENDATION	TL NUM	LEAD	PLANNED COMPLETION DATES
VIII-12	Standardize the disbursement transaction control and distribution process across the Department.	48	DFAS	Apr 1996
VIII-13	Implement direct transmission of Contract Payment Notification (CPN) records from MOCAS to the installation level accounting system.	49	DFAS	Mar 1996
VIII-14	Perform an analysis to determine the requirements and feasibility of a shared contract data base supporting acquisition, accounting and finance.	39	DFAS DCMC DISA	Completed
VIII-15	Develop and issue standard procedures for researching and clearing UMDs and NULOs.	32	DFAS	Jun 1995
VIII-16	Develop and provide training to both DFAS and customer personnel involved in the research and clearing of UMD related transactions.	33	DFAS	Jul 1995
VIII-17	Validate current procedures for identifying, posting and tracking overpayments to contractors. Modify accounting and payment systems as needed to provide positive visibility and control over outstanding contractor overpayments.	10	DFAS	Jun 1995
IX-1	Review the funding and prepare a comprehensive plan by initiative and system for contract placement and administration migratory systems.	2	DDP	Completed
IX-2	Review the finance and accounting migration plans and prepare a comprehensive schedule and funding plan by initiative and system.	1	DFAS	Completed
X-1	Develop a joint acquisition and financial management schedule, resource plan, and milestones for the approved recommendations.	21	DDP DFAS	May 1995
X-2	Expedite the consolidation of the standard data element sets being developed by both the acquisition and financial management communities.	11	DFAS DDP	Completed

ACQUISITION AND FINANCIAL MANAGEMENT
IMPROVEMENT INITIATIVES AND (*) RECOMMENDATIONS
(Fiscal Year and Quarter)

ID	Name	Milestone / Date
1	* Prepare comprehensive schedule and funding plan by initiative and system for Finance and Accounting migratory systems.	IX-2 / 10/3
2	* Prepare Comprehensive Plan by Initiative and System for Acquisition Migratory Systems.	IX-1 / 8/30
3	* Establish Program Manager for Acquisition Migration Systems Implementation	IV-7 / 11/30
4	* As an Interim Measure, Transmit Obligation Transactions to the MOCAS System from STARS.	VIII-1 / 11/30
5	* Establish a Commitment Document Number to Contract Number, CLIN/SLIN, and ACRN Cross Reference File in Selected Actg. Sys.	VIII-10 / 9/30
6	* Transfer MOCAS Update Responsibility to the Contract of Modification Originator concurrent with implementation of EDI.	IV-1 / 1/31
7	MOCAS Accept EDI Commercial Invoices	7/31
8	EDI 850 Version 3050 Approved	4/28
9	* Develop Adjustment Procedures, Including the Associated Accounting Treatment, to Resolve UMDs and NULOs in Canceled Accounts	VII-13 / 6/30
10	* Validate/Improve Current Procedures for Identifying, Posting and Collecting Overpayments to Contractors.	VIII-17 / 6/30
11	* Expedite the Consolidation of the Standard Data Element Sets Being Developed by both the Acquisition and Financial Management Communities.	X-2 / 3/31
12	* Acquisition Policy Decisions	
13	* Standardize the Format of Definitization (i.e. PZ and AZ) Modifications with respect to the identification of Change and Cum Total Amounts.	IV-8 / 7/31
14	* Bring to Closure DFARS Case 93-D016 to require each CLIN to reference a single ACRN.	IV-6 / 4/28
15	* Require Clear Identification of CLINs as either Cost Type or Fixed Price When Both are Used in the Same Contract.	IV-9 / 7/31

Timeline columns (Fiscal Year and Quarter): 1994 (Qtr 4, Qtr 1, Qtr 2, Qtr 3), 1995 (Qtr 4, Qtr 1, Qtr 2, Qtr 3), 1996 (Qtr 4, Qtr 1, Qtr 2, Qtr 3), 1997 (Qtr 4, Qtr 1, Qtr 2, Qtr 3), 1998 (Qtr 4, Qtr 1, Qtr 2, Qtr 3, Qtr 4, Qtr 1)

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ACQUISITION AND FINANCIAL MANAGEMENT
IMPROVEMENT INITIATIVES AND (*) RECOMMENDATIONS
(Fiscal Year and Quarter)

ID	Name	Milestone
16	* Selected Legacy Contract Writing Systems output EDI 850 Vr. 3.5	
17	* Provide NAVSEA, NAVAIR, and SPAWAR with a contract writing system capable of transmitting ANSI EDI X.12 850/860 Transaction Sets.	IV-2 7/31
18	* Implement ANSI X.12 850/860 Transaction Sets Capability in AMIS.	IV-3 7/31
19	* Implement ANSI X.12 850/860 Transaction Sets Capability in PADDS.	IV-4 6/30
20	* Implement the Routing Procedures and Instructions for Transmitting EDI Transaction Sets Within DoD.	VII-8 4/28
21	* Develop a Joint Acquisition and Financial Management Schedule, Resource Plan, and Milestones for Approved Recommendations	X-1 5/31
22	* Accelerate the June 1995 Enhancement of MOCAS to Accept ANSI X.12 850/860 EDI Transaction Sets.	VI-1 6/30
23	* Develop Procedures to ensure both Payment and Accounting Offices are Notified of all Payment Adjustments.	VII-14 10/30
24	* Conduct a Pilot Test of on-site Input of Navy Contract Modification Obligations by DCMC offices into STARS.	VIII-6 5/31
25	MOCAS Accept EDI DD-250	6/30
26	MOCAS Accept EDI Progress Payments	6/30
27	DPACS-MOCAS Interface	6/30
28	DPACS Functionality Improvements	6/30
29	DPACS Output EDI 850 Vr. 3050	6/30
30	* Perform Review of the Number of ACRNs Being Cited on Contracts to determine if the numbers can be reduced.	III-1 12/29

ACQUISITION AND FINANCIAL MANAGEMENT
IMPROVEMENT INITIATIVES AND (*) RECOMMENDATIONS
(Fiscal Year and Quarter)

ID	Name	Task Code	Date(s)
31	* Develop the Capability for the Contract Writing Systems to Accept an Automated Feed of Accounting Data from the Accounting Systems.	IV-5	9/30
32	* Develop and Issue Standard Procedures for Researching and Clearing UMDs and NULOs.	VIII-15	6/30
33	* Develop and Provide Training to Both DFAS and Customer Personnel Involved in the Research and Clearing of UMD Related Transactions.	VIII-16	7/31
34	* Provide an EDI-capable Automated Contract Modification Writing System to all DCMC ACOs.	VI-2	11/30
35	* Standardize Ordering of and Accounting for 1st Destination Transportation when Identified Separately on Contract Invoices.	IV-10	8/31
36	* Ensure that Progress Payment Requests Include an Allocation of the Net Amount to the CLIN/SLIN Level.	VII-11	11/30
37	* Ensure that Cost Type Billings Include and Allocation of the Net Amount to the CLIN/SLIN Level.	VII-12	11/30
38	* Ensure Adequate Staffing of the CED at DFAS-CO	VIII-7	3/31
39	* Determine the Requirements and Feasibility of a Shared Contract Data Base Supporting Acquisition, Accounting, and Finance.	VIII-14	4/24
40	* Reconcile MOCAS Contracts		
41	* Develop and Begin Executing a Plan for the Reconciliation of the existing backlog of Out-Of-Balance Contracts and ACRNs in MOCAS.	VII-9	12/29
42	* Review the Feasibility of Overlaying MOCAS Accounting Lines with STARS Accounting Data Using Automated Reconciliation Data.	VIII-5	12/1
43	* Develop Specific Criteria to be used to Determine when Contract Reconciliation Efforts should be Terminated.	VII-10	6/30
44	* Perform Quarterly Automated Comparisons of STARS, CPAS, SOMARDS and SAPAS Accounting Records with MOCAS.	VIII-2	1/31
45	* Limit Accounting Data on Contracts to Contract Number, CLIN/SLIN, ACRN, FY, Appn, Limit/Subhead, Commitment Doc ID, and Actg Station.	VIII-11	9/30

ACQUISITION AND FINANCIAL MANAGEMENT
IMPROVEMENT INITIATIVES AND (*) RECOMMENDATIONS
(Fiscal Year and Quarter)

ID	Name
46	* Implement UMD and NULO Reporting that Will Ensure Adequate Management Visibility.
47	* Use ANSI X.12 850/860 (Version 3050) EDI Transaction Sets to Establish Contract Obligations in the Accounting Systems.
48	* Standardize the Disbursement Transaction Control and Distribution Process Across the Department.
49	* Implement Direct Transmission of Contract Payment Notification (CPN) Records from MOCAS to the Installation Level Accounting Systems
50	DPACS Deployment as Migration System
51	* Transmit Funding Data to Contracting Offices Electronically form the Accounting Systems Using A Standardized Commitment Document Number.
52	* MOCAS Payment Functional Improvements
53	* Review MOCAS Payment Process Logic and Take Action to Reduce the Amount of Manual Processing Required.
54	* Limit the use of MOCAS Internal Unvouchered Accounting Line Adjustments.
55	* Expand MOCAS Accounting Line Edits to Ensure That MOCAS Accounting Lines Accurately Reflect the Official Accounting Systems.
56	* Revise MOCAS to Recognize the Difference Between Cost and Fixed Price CLINs Within a Contract in the Payment Process.
57	* Revise the Automated Process for the Assignment of ACRNs on Cost Type Payments to Require Input of CLIN/SLIN Amounts.
58	* Revise Progress Payment Process to Pay Based on CLIN/SLIN.
59	* Revise the Automated Progress Payment Recoupment Process in MOCAS.
60	* Validate Proposed Payments Against the Applicable Detail Obligation(s) in the Official Accounting System Prior to Payment.

Chart timeline columns: 1994 (Qtr 1–4), 1995 (Qtr 1–4), 1996 (Qtr 1–4), 1997 (Qtr 1–4), 1998 (Qtr 1–4)

Gantt bar labels:
- 46: VIII-3, 3/29
- 47: VIII-9, 3/31
- 48: VIII-12, 4/30
- 49: VIII-13, 3/29
- 50: 9/1
- 51: VIII-8, 9/30
- 53: VII-7, 4/14
- 54: VIII-1, 10/31
- 55: VIII-4, 5/31
- 56: VII-3, 7/29
- 57: VII-4, 7/29
- 58: VII-5, 8/29
- 59: VII-6, 1/29
- 60: VII-2, 12/31

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ACQUISITION AND FINANCIAL MANAGEMENT
IMPROVEMENT INITIATIVES AND (*) RECOMMENDATIONS
(Fiscal Year and Quarter)

ID	Name	1994				1995				1996				1997				1998				Qtr 1
		Qtr 4	Qtr 1	Qtr 2	Qtr 3	Qtr 4	Qtr 1	Qtr 2	Qtr 3	Qtr 4	Qtr 1	Qtr 2	Qtr 3	Qtr 4	Qtr 1	Qtr 2	Qtr 3	Qtr 4	Qtr 1	Qtr 2	Qtr 3	Qtr 4	
61	MOCAS Migration to ICAS 25																						9/30

DEC 2 7 1993

MEMORANDUM FOR UNDER SECRETARY OF DEFENSE (ACQUISITION AND
                TECHNOLOGY)
                ASSISTANT SECRETARIES OF THE MILITARY DEPARTMENTS
                (FINANCIAL MANAGEMENT)
                ASSISTANT SECRETARIES OF THE MILITARY DEPARTMENTS
                (ACQUISITION)
                DIRECTOR, DEFENSE FINANCE AND ACCOUNTING SERVICE
                DIRECTOR, DEFENSE CONTRACT MANAGEMENT COMMAND

SUBJECT: Acquisition and Financial Management Working Group
          on Unmatched Disbursements

        At the November 16 meeting of the Senior Financial
Management Oversight Council, the Deputy Secretary of Defense
directed the establishment of a future design working group to
develop a course of action to alleviate the systemic problem of
unmatched disbursements. The Acquisition and Financial
Management Working Group has been established for that purpose
and will report to the Acquisition and Financial Management
Panel, co-chaired by USD(A&T) and the Comptroller. The Working
Group will be chaired by the Defense Finance and Accounting
Service (DFAS) with membership provided by the addressees and
this office. Recommendations of the Panel and Working Group will
be provided to the Deputy Secretary of Defense and briefed to the
Senior Financial Management Oversight Council. The charter of
the Working Group is attached.

        The purpose of this correspondence is to request your
support through the assignment of a knowledgeable, forward-
looking individual to the Acquisition and Financial Management
Working Group. Please provide Mr. Arnold Weiss with the name of
your representative by the close of business December 27, 1993.
He can be reached at (703) 607-0831. The Working Group will
operate out of DFAS Headquarters in Crystal City, Virginia.
Initially, full-time participation on the Working Group is
anticipated.

        The first meeting of the Working Group will be held early
January. Your participant will be notified of the date, time,
and place of the meeting.
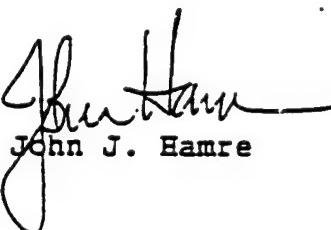
                                John J. Hamre

Attachment

APPENDIX A

ACQUISITION AND FINANCIAL MANAGEMENT WORKING GROUP

CHARTER

REFERENCE: Senior Financial Management Oversight Council
Meeting of November 16, 1993.

PURPOSE: This charter establishes the Acquisition and Financial
Management Working Group (hereafter referred to the Group).

MISSION: The Working Group will research, analyze, and assemble
studies for the Acquisition and Financial Management Panel and
provide improvement recommendations aimed at resolving the
causes of unmatched disbursements. The initial focus will be on
unmatched contract disbursements.

   a.   The Working Group will:

      -   Examine current business practices and initiatives,
          including potential benchmarking opportunities.
      -   Examine current Military Department/DFAS/DCMC
          improvement groups.
      -   Survey current systems migration strategies.
      -   Examine DoD current and planned information
          management strategies.
      -   Facilitate efforts in electronic commerce, elec-
          tronic data interchange, and electronic funds
          transfer.
      -   Examine data and process standardization.
      -   Provide a plan to facilitate source data entry.

   b.   Working Group Membership

        The Group will be comprised of representatives of the
        following offices:

        Chair: Defense Finance and Accounting Service
        Members:
             Under Secretary of Defense (Acquisition and
               Technology)
             Comptroller, DoD
             Assistant Secretaries of Military Departments
               (Financial Management)
             Assistant Secretaries of Military Departments
               (Acquisition)
             Defense Contract Management Command

OPERATIONS: The Group shall commence work in January 1994, with
the objective of developing a future vision and detailed plan of
action to address the unmatched disbursement problems by
April 30, 1994. The Group will report to the Acquisition and
Financial Management Panel on a periodic basis.

   The Defense Finance and Accounting Service will provide
day-to-day direction and administrative support to the Group.

ACQUISITION AND FINANCIAL MANAGEMENT WORKING GROUP MEMBERS

DFAS

Henry Bezold — DoD Comptroller, Financial Systems/ Directorate for Accounting Policy

OUSD(A&T)

Ted Godlewski — OUSD(A&T), Defense Procurement/Cost, Pricing & Finance

DoD COMPTROLLER

Genevieve Meyer — Management Systems/Directorate for Management Improvement

ARMY

Bruce Sullivan — OASA(RDA), Army Contract Support Agency

Bob Yakeley — Army Materiel Command

NAVY

Bruce Lowery — ASN(RD&A) APIA

Norman Mau — Navy Comptroller, Office of Financial Management

AIR FORCE

Bob Bemben — SAF/AQCP

Patricia Webb — HQ AF Materiel Command, Financial Management WPAFB, OH (HQAFMC/FMT)

DCMC

COL Roy Scales — Operations and Policy Group/Payment, Closeout and Property Team (AQCOE)

Cynthia Veasey — DCMC/Northeast District, Office of Internal Review DCMDN-DI

Michael Williams — DCMC/Contract Management (AQC)

REPORTS ADDRESSING UNMATCHED OR UNDISTRIBUTED DISBURSEMENTS

The following reports address some aspect of unmatched or undistributed disbursements:

- "Uncleared Transactions By and For Others," DoD IG, No. 94-048, March 2, 1994. IG reported that increased oversight was needed to eliminate excessive delays in clearing transactions, and to reduce net undistributed disbursements valued at $34.6 billion as of January 31, 1993. The number and dollar value of undistributed disbursements reported as more than 180 days old was understated.

- "Navy Records Contain Billions in Unmatched Disbursements," GAO/AFMD 93-21, Code 918752, June 9, 1993. GAO reported a major Navy accounting system contained $13.6 billion in unmatched disbursements as of December 19, 1992. It was observed that poor compliance with internal controls; detection and correction of errors in the disbursement process; and posting of accurate and complete accounting information in systems that support the disbursement process were the main causes of unmatched disbursements.

- "Administration of the Contract Closeout Process within DoD," DoD IG, No. 92-076, April 15, 1993. It was found that contract data in DFAS-Columbus Mechanization of Contract Administration Services (MOCAS) was inaccurate and contributed to delays in closing contracts. These inaccuracies also resulted in erroneous payments, discounts being lost, delayed payments, and contracts not being closed promptly.

- "Missile Procurement Appropriations, Air Force," DoD IG, No. 93-053, February 12, 1993. Substantial amounts of negative unliquidated obligations were identified in the FY 1987 and 1988 Missile Procurement Appropriations, Air Force. To resolve the problem it was recommended that a single record be used to account for funds and pay bills.

- "Merged Accounts of the Department of Defense," DoD IG, No. 92-028, December 30, 1991. The IG discovered a substantial number of negative obligations existed; billions of dollars in disbursements had not been matched to obligations; and four appropriations may have been in violation of the Antideficiency Act. With emphasis on account accuracy, undistributed disbursements would be reduced.

- "Problems in Accounting for DoD Disbursements," GAO/AFMD 91-9, Code 903104, November 9, 1990. Use of nonstandard data made the processing of the Services cross-disbursing transactions very complex and resulted in processing errors.

APPENDIX C

ACRONYMS

<u>General</u>

A-E	Architect - Engineer
ACO	Administrative Contracting Officer
ACRN	Accounting Classification Reference Number
AFMC	Air Force Material Command
AIS	Automated Information System
ANSI	American National Standards Institute
API	Automatic Payment of Invoice
ARS	Automated Reconciliation System
ASD (C3I)	Assistant Secretary of Defense (Command, Control, Communications and Information)
AUTODIN	Automatic Digital Network
BACC	Budget and Accounting Classification Code
CAO	Contract Administration Office
CAS	Contract Administration Services
CDA	Central Design Activity
CECOM	U.S. Army Communications and Electronics Command
CED	Contract Entitlements Directorate
CIM	Corporate Information Management
CLIN	Contract Line Item Number
CMET	Central Master Edit Table
COINS	Contractor Invoice Notification Services
CONUS	Continental United States
COTS	Commercial Off-The-Shelf
CPN	Contract Payment Notice
DAO	Defense Accounting Office
DBOF	Defense Business Operations Fund
DCAA	Defense Contract Audit Agency
DCASR	Defense Contract Administration Services Region
DCMC	Defense Contract Management Command
DDP	Director of Defense Procurement
DFARS	Defense Federal Acquisition Regulation Supplement
DFAS	Defense Finance and Accounting Service
DISA	Defense Information Systems Agency
DLA	Defense Logistics Agency
DMRD	Defense Management Report Decision
DO	Disbursing Officer
DoD	Department of Defense
DoDIG	Department of Defense Inspector General
DSAC	Defense Systems Automation Center
DUSD-AR	Deputy Under Secretary of Defense for Acquisition Reform

EC	Electronic Commerce
EDI	Electronic Data Interchange
EFT	Electronic Funds Transfer
FAD	Financial Accounting Data
FAR	Federal Acquisition Regulation
FEA	Functional Economic Analysis
FIM	Functional Integration Management
FISC	Fleet Industrial Support Center
GAO	General Accounting Office
GBL	Government Bill of Lading
GUI	Graphical User Interface
ICP	Inventory Control Point
IDEF	Integrated Definition Modeling
IFB	Invitation for Bid
IM	Information Management
IOC	Initial Operating Capability
IOS	Initial Operation Site
IRM	Information Resource Manager
LAN	Local Area Network
MILSCAP	Military Standard Contract Administration Procedures
MIS	Management Information System
NAVAIRSYSCOM	Navy Air Systems Command
NAVSEASYSCOM	Navy Sea Systems Command
NPR	National Performance Review
NULO	Negative Unliquidated Obligation
O&M	Operations & Maintenance
ODSS	Order Delivery Schedule System
OSD	Office of the Secretary of Defense
PAT	Process Action Team
PBD	Program Budget Decision
PC	Personal Computer
PCIM	Procurement Corporate Information Management
PCO	Procurement Contracting Officer
PIIN	Procurement Instrument Identification Number
PM	Program Manager
POM	Program Objective Memorandum
PRON	Procurement Request Order Number
PSA	Principal Staff Assistant
R&D	Research & Engineering
RFP	Request for Proposal
RFQ	Request for Quote
SLIN	Subsidiary Line Item Number
SPAWARSYSCOM	Navy Space and Warfare Systems Command
SPIIN	Supplementary Procurement Instrument Identification Number

UMD	Unmatched Disbursement
USAF	United States Air Force
USD(A&T)	Under Secretary of Defense (Acquisition & Technology)
VAN	Value Added Network
VDI	Vendor Direct Input

Automated Information Systems

AFMC SUITE:

ACPS	Automated Contract Preparation System (Air Force)
ADIS/J041	Acquisition and Due-In System (Air Force)
APS/J023	Automated Purchase System (Air Force)
E841	Manpower Management System (Air Force)
UCAMS	Undefinitized Contractual Actions Management System (Air Force)
AMIS	Acquisition Management Information System (Air Force)
APADE	Automation of Procurement and Accounting Data Entry (Navy)
BCAS	Base Contracting Automated System (Air Force)
BOSS	Base Operations Supply System (DLA)
CAPS	Computerized Accounts Payable System (Army)
CCSS	Commodity Command Standard System (Army)
CLDS	Center Level Disbursing System
CLVPS	Center Level Vendor Payment System
COMPASS	Contract Management Paperless Support System
CPAS	Central Procurement Accounting System (Air Force)
DPACS	DLA Pre-Award Contracting System (DLA)
GAFS-OPS	General Accounting and Finance System-Operational Level (Air Force)
HAS	Headquarters Accounting System (Marine Corps)
IAPS	Integrated Accounts Payable System (Air Force)
ICAS	Integrated Contract Administration Services (DLA)
ITIMP	Integrated Technical Item Management and Procurement (Navy)
MADES	Menu Assisted Data Entry System (Air Force)
MAFR	Merged Accountability and Reporting System (Air Force)
MOCAS	Mechanization of Contract Administration Services (DLA)
PADDS	Procurement Automated Data and Document System (Army)
SAACONS	Standard Army Automated Contracting System (Army)
SABRS	Standard Accounting Budgeting and Reporting System (Marine Corps)
SAMMS	Standard Automated Materiel Management System (DLA)
SAPAS	Standard Army Procurement Appropriation System (Army)

SOMARDS	Standard Operations and Maintenance, Army R&D System (Army)
SPEDE	SAMMS Procurement by Electronic Data Exchange (DLA)
SRD-I	Standard Finance System-Redesign (Subsystem I) (Army)
STANFINS	Standard Finance System-Current (Army)
STARS	Standard Accounting and Reporting System (Navy)

ANSI X12 TRANSACTION SETS:

TS 561	Contract Abstract
TS 810	Invoice
TS 820	Payment remittance Advice
TS 840	Request for Quote
TS 843	Response to Request for Quote
TS 850	Purchase Order
TS 856	Source/Destination Acceptance
TS 860	Purchase Order Change

FORMS:

DD 250	Material Inspection and Receiving Report
DD 350	Individual Contracting Action Report
DD 448	Military Interdepartmental Purchase Request
DD 1155	Order for Supplies or Services
DD 1716	Contract Package Recommendation Deficiency Report
SF 26	Award/Contract
SF 30	Amendment of Solicitation/Modification of Contract
SF 33	Solicitation, Offer and Award
SF 129	Commercial And Government Entity (CAGE) Code
SF 1443	Contractors Request for Progress Payment